



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**San Bernardino County  
California**

For the Fiscal Year Beginning

**July 1, 2011**

*Linda C. Dawson Jeffrey R. Enos*

President

Executive Director

# INTEROFFICE MEMO



County of San Bernardino

**DATE** May 25, 2012**PHONE** 387-5417**FROM** GREGORY C. DEVEREAUX  
Chief Executive Officer**TO** MEMBERS  
Board of Supervisors

---

**SUBJECT** 2012-13 RECOMMENDED BUDGET

---

On June 30, 2011, the Board of Supervisors and the San Bernardino Associated Governments (SANBAG) Board adopted a Countywide Vision, which has since been adopted by nearly every city and town in the County as well as many school, water, and special districts. This fulfilled a key goal established by the Board of Supervisors, and has provides County government with clearer direction as it makes budget decisions.

The Countywide Vision calls for the creation of a "complete county" that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. In this document you will see that the County organization incorporated the Countywide Vision's elements and values into the 2012-13 Recommended Budget.

I hereby submit for the Board's consideration the 2012-13 Recommended Budget, guided by the Countywide Vision. This budget of \$4.06 billion lays the framework to achieve the "complete county" by allocating resources to achieve Board priorities and objectives. The 2012-13 Recommended Budget has been balanced and is consistent with policy direction received from the Board of Supervisors. No reserves are being used to fund ongoing costs. There is limited use of one-time sources to fund costs as part of a multi-year plan to address the five-year structural deficit, which is consistent with county policy. The 2012-13 Recommended Budget addresses the following key issues:

- A continuing structural budget deficit in both the General Fund and the Fire District;
- Underfunded programs/projects, in Land Use Services and Public Works which could result in service deficiencies;
- Unaddressed needs for basic operating systems, such as maintenance, support, and upgrade of countywide applications;
- Facility needs, such as the Downtown Building Project and the Sheriff/Coroner/Public Administrator's Crime Lab and Aviation Facility.

In May 2011, a plan was implemented to eliminate the cumulative five-year structural deficit for fiscal years 2011-12 through 2015-16. The County continues to focus on this five-year period. The County has resolved the 2011-12 structural deficit, so the 2012-13 Recommended Budget focuses on the remaining \$91.5 million cumulative structural budget deficit though 2015-16, of which \$33.2 million pertains to 2012-13. Significant ongoing issues include declining revenues, previously negotiated salary and benefit increases, retirement cost increases, a necessary increase to the County Fire subsidy, and additional staffing requirements for the Sheriff/Coroner/Public Administrator Adelanto Detention Center Expansion.



**BOARD OF SUPERVISORS  
2012-13 RECOMMENDED BUDGET  
PAGE 2**

To address this deficit, the County Administrative Office has developed a strategic plan which includes the following measures:

- Defer funding the \$34.2 million Adult Detention Center Staffing cost by funding it from non-general fund sources or mothball older, less efficient facilities and shift staff to this facility;
- Implement departmental reductions of \$11.8 million;
- Achieve employee compensation reductions of \$8.9 million;
- Increase AB 109 revenue for jailed prisoners by \$5.8 million;
- End funding of increased health care benefits after current labor agreement expires estimated at \$5.2 million;
- Reduce contributions to the 800 MHz Upgrade project by \$4.0 million;
- Reduce the base allocation to the Capital Improvement Program by \$3.3 million.

***It is important to note that this strategic plan does not include any potential impacts of the 2012-13 State Budget, which are unknown and unpredictable at this time.***

Ongoing mitigations beginning in 2012-13 that have a departmental impact include a reduction of discretionary general funding for the Economic Development Agency, Public Defender, Regional Parks, County Counsel, and Assessor/Recorder/County Clerk. In addition, reductions were achieved in the Information Services Department internal service fund programs. The Sheriff/Coroner/Public Administrator will also have a departmental impact as a result of anticipated employee compensation reductions not achieved in 2011-12 and funding prior year MOU increases with one-time sources. County Fire also had to make service reductions totaling \$3.0 million to be in balance in 2012-13, despite increased discretionary general funding of \$4.6 million in 2012-13.

**THE BUDGET IN BRIEF**

This budget book presents the general fund, special revenue funds, capital project funds, internal service funds and enterprise funds of the County. The total spending authority for these funds in 2012-13 is \$4.06 billion. The general fund spending authority totals \$2.3 billion and is funded by countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.3 billion, only \$446.3 million is truly discretionary.

	Spending Authority (In Millions)		
	2011-12	2012-13	Change
	Modified	Recommended	
General Fund	\$ 2,234.9	\$ 2,289.7	\$ 54.8
Restricted Funds	\$ 100.9	\$ 92.7	\$ (8.2)
Capital Project and Debt Service Funds	\$ 231.8	\$ 228.5	\$ (3.3)
Special Revenue Funds	\$ 620.8	\$ 580.5	\$ (40.3)
Enterprise Funds	\$ 662.4	\$ 670.5	\$ 8.1
Internal Service Funds	\$ 180.8	\$ 194.7	\$ 13.9
	<u>\$ 4,031.6</u>	<u>\$ 4,056.6</u>	<u>\$ 25.0</u>

For 2012-13, the \$54.8 million increase in spending authority for the General Fund is primarily the result of increases in Public Safety Realignment funding (AB 109) for

**BOARD OF SUPERVISORS  
2012-13 RECOMMENDED BUDGET  
PAGE 3**

Sheriff/Coroner/Public Administrator-Detentions and the Probation Department, to house/supervise inmate and parolee populations classified as low-level offenders, an increase to the Human Services Administrative Claim due to continuing caseload growth, and increased In-Home Supportive Services provider payments.

The \$40.3 million decrease in Special Revenue Funds can be primarily attributed to a reduction in projected costs in the Community Development and Housing and Mental Health Services Act budget units due to the use of one-time funding in 2011-12 to complete projects.

The increase of \$13.9 million in Internal Service Funds is primarily due to an increase in Risk Management's Insurance Funds resulting from costly settlements and increased liability claims experience.

	<b>Budgeted Staffing</b>		
	<b>2011-12 Modified</b>	<b>2012-13 Recommended</b>	<b>Change</b>
General Fund	13,165	13,193	28
Other Funds	5,777	5,856	79
	<u>18,942</u>	<u>19,049</u>	<u>107</u>

Recommended budgeted staffing for 2012-13 is 19,049, a total increase of 107 positions from the 2011-12 modified budget. General Fund staffing has been increased by 28 positions, from 13,165 to 13,193 primarily resulting from increased staffing for the Sheriff/Coroner/Public Administrator due to the implementation of AB 109 (Public Safety Realignment). The additional staffing will help ensure the overall safety for employees and inmates of the County jail system. The staffing in all other funds has been increased by 79 positions from 5,777 to 5,856, primarily resulting from ARMC's participation in the Low Income Health Program and a Delivery System Reform Incentive Plan. Although staffing increased significantly, many of the positions are part-time and will allow ARMC to meet required staffing ratios in addition to scheduling flexibility.

**IDENTIFIED NEEDS**

The County Administrative Office has identified and recommends the following critical areas be addressed in 2012-13 in order to prevent unnecessary costs and risks:

- General Plan and Development Code updates, and development of Specific Plans or Community Plans
- System related upgrade, maintenance, and support costs
- Replacement of buildings beyond their useful life
- Public Works and County Fire funding shortfalls

**HIGHLIGHTS OF 2012-13 RECOMMENDED BUDGET**

Following are programmatic and budgetary highlights in relation to the 2012-13 Countywide Goals as adopted by the Board of Supervisors on April 10, 2012.



**Create, Maintain, and Grow Jobs and Economic Value in the County**

- In 2012-13, a key strategy of the Economic Development Agency (EDA) is to support businesses coming into and currently existing in the County, by ensuring that Workforce Investment Act (WIA) funding assists with layoff aversion, business services and training for specific workforce skills. Through these efforts, EDA will work to keep existing businesses thriving and create an environment that is appealing to businesses looking to relocate.

**Improve County Government Operations**

- In 2011-12, the County Administrative Office set aside \$30.0 million to facilitate the Downtown Building Project including the purchase of new buildings, the seismic retrofit and modernization of certain existing buildings, and the demolition of older facilities in which additional investment is not recommended. To support additional square footage requirements and fund furniture, fixtures, and equipment, the County Administrative Office recommends adding an additional \$10.0 million in 2012-13.
- Due to budget reductions in 2008-09, the Information Services Department Application Development Division eliminated 7 programmer positions. As a result, the maintenance and support of locally funded applications has fallen behind. The 2012-13 Recommended Budget builds back \$1.6 million in ongoing discretionary general funding (net county cost) into the base to fund 4 additional positions to move toward supporting and maintaining locally funded applications and systems at "ideal" levels, as recommended by the Information Services Department.
- Phase one of the San Bernardino County Electronic Procurement Network (ePro) implementation was completed in May 2012, resulting in approximately 3,000 registered vendors and 1,000 county users across all County departments. Phase two, funded by an additional \$368,000 ongoing allocation of discretionary general funding beginning in 2012-13, will include integration with the financial accounting system (FAS) in order to eliminate manual entry of encumbrances and further streamline the procurement process.
- For 2012-13, the Sheriff/Coroner/Public Administrator has established separate budget units for its detention facilities and law enforcement contracts, thus providing for more effective budget management, reporting and control of these functions.
- The 2012-13 recommended spending plan includes one-time discretionary general funding of \$700,000 for the provision of new permitting software for Land Use Services to allow interfaces between Land Use Services, Public Works, and County Fire to help streamline the permitting process; and \$2.0 million to upgrade the Public Works Financial Cost Accounting system, which provides tracking and reporting information for projects to comply with federal and state requirements.
- An additional one-time allocation of discretionary general funding of \$760,000 has been included for Land Use Services, \$400,000 to fund high-level consulting services to identify efficiencies in business processes, streamline day-to-day operations, assist with high profile project management, and provide staff training; and \$360,000 to enable the continuation of the Medical Marijuana enforcement program.



**Operate in a Fiscally Responsible and Business-like Manner**

- The Human Resources Department is negotiating with four labor unions to obtain employee concessions to address the five-year structural deficit. If achieved, these concessions will generate \$8.9 million in ongoing savings. The recommended spending plan includes \$4.5 million in bridge funding as reductions may not be implemented until mid-year 2012-13.
- With the recent California Supreme Court decision pertaining to ABx1 26, a one-time allocation of \$300,000 in 2012-13 to fund costs associated with Oversight Boards and the dissolution of Redevelopment Agencies is recommended for Economic Development Agency.
- In December 2011, the Board approved additional funding for Land Use Services to hire a consultant to conduct a Development Impact Fee analysis and recommended fee structure. This project will continue in 2012-13, and a report is estimated to be presented to the Board of Supervisors by the end of the fiscal year.
- The Sheriff/Coroner/Public Administrator decreased reliance on U.S. Marshal inmate housing revenues by \$7.0 million; this reduction is being offset by additional AB 109 funding.
- The 2012-13 Recommended Budget includes a \$300,000 increase in ongoing discretionary general funding to Flood Control to comply with current National Pollutant Discharge Elimination System (NPDES) permit activities in the unincorporated areas outside of the Santa Ana River Watershed.

**Ensure Development of a Well-Planned, Balanced, and Sustainable County**

- Public Works – Transportation Proposition 1B projects in 2012-13 of \$17.0 million include rehabilitation of Sheep Creek Road; Yucca Loma/Yates road widening; Caughlin Road in Phelan and Hatchery Drive in Moonridge paving; and Valley Boulevard and Cedar Avenue new median construction.
- Public Works – This budget funds Transportation at a level which will sustain the pavement condition index (PCI) of 76 for county maintained roads by doing surface treatments on 45 miles and rehabilitating 5.9 miles of roads by providing a one-time \$5.0 million allocation of discretionary general funding; and will provide for the installation of a signal at Valley Boulevard at Banana Avenue in the Fontana area due to a one-time \$250,000 allocation of discretionary general funding.
- The 2012-13 recommended spending plan also includes one-time allocations of \$5.9 million to fund right-of-way, environmental, and construction costs for the Rim Forest Storm Drain Project to avert runoff damage; and \$4.0 million for Lake Gregory Dam remediation to meet State seismic stability requirements and evacuation rates.
- In 2012-13, the County Library will be opening the Baker Family Learning Center in the unincorporated Muscoy Community. Looking ahead to 2013-14, the Library anticipates some serious financial challenges due to declining property tax revenues and increasing costs. Therefore, the Library is exploring several cost savings measures that may be implemented in early 2013, as a preemptive measure to lessen the "all at once" impact in 2013-14.



- The Regional Parks Department plans to improve and reopen the campground at Glen Helen Regional Park and commit \$100,000 in Capital Improvement Funds for deferred maintenance projects at Calico Ghost Town. The department is planning to have an increased number of special events and new activities through public/private partnerships at Prado and Cucamonga-Guasti Regional Parks, and Calico Ghost Town. Also planned is the construction of 3.5 miles of extension to the Santa Ana River Trail in the San Bernardino/Redlands area.
- The 2012-13 Recommended Budget reflects an additional one-time allocation of \$2.3 million for Land Use Services-Planning to update the General Plan, create more specific plans to better reflect the unique character of all areas of the County, and to amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County.

**Maintain Public Safety**

- Construction commenced in June 2011 on the Sheriff/Coroner/Public Administrator's Adelanto Jail Expansion Project, which is projected to add approximately 1,400 jail beds to the county's Adelanto Detention Center by late August 2013. In order to help fund the \$120 million project, the Sheriff/Coroner/Public Administrator pursued and was awarded \$82.3 million from the State as part of its Assembly Bill (AB) 900 County Jail Lease-Revenue Funding Program.
- In 2012-13, the Sheriff/Coroner/Public Administrator's Aviation Division is negotiating to move its operations to the San Bernardino International Airport, as the current hangar used by the Aviation Division requires millions of dollars in repairs and upgrades. Moving to the new location will result in increased square footage and an updated facility. The new lease will be funded from the termination of existing leases and federal asset forfeiture money will be used to fund one-time costs associated with the move.
- The Sheriff/Coroner/Public Administrator is adding 38 new positions due to implementation of AB 109 (Public Safety Realignment). These positions are needed to manage the "low-level" offenders now being ordered to serve their sentence in a county facility rather than the state prison system. The additional staffing will help ensure the overall safety for employees and inmates of the County's jail system. The costs of these positions are offset by AB 109 funding.
- A one-time allocation of \$1.3 million is recommended in 2012-13 for redesign to expand and remodel the Sheriff/Coroner/Public Administrator's existing Crime Lab facility; and additional \$0.7 million has been included for the Fire Station in Needles.
- The 2012-13 Recommended Budget includes a \$4.6 million increase in the ongoing County Fire subsidy for emergency vehicle replacement and operational needs due to continued property tax revenue reductions. Despite this funding increase, County Fire still has to reduce their budget by \$3.0 million resulting in a reduction of 23 positions which includes replacing full-time fire fighters with paid call fire fighters at two fire stations.
- The Probation Department's budget is increased by \$5.7 million primarily due to additional appropriation for the full year cost of implementing AB 109. These costs include staffing, operation of day reporting centers, contracts with community based organizations, and transitional housing needed to supervise and rehabilitate "low



level" adult offenders transferred to the County from state parole caseloads. The department's 2012-13 budget also reflects the addition of \$5.3 million in Juvenile Probation funding from the state to support a broad spectrum of services targeting at-risk youth, juvenile offenders and their families.

- Ongoing funding of \$20.0 million has been included for the 800 MHz Upgrade project to address the aging public safety 800MHz digital radio system and infrastructure requirements. This is a reduction of \$4.0 million a year which has been redirected to other general fund needs and was made possible because of a projected fund balance for this project from this fiscal year.

**Provide for the Health and Social Services Needs of County Residents**

- The County successfully implemented its Low Income Health Program, ArrowCare, January 1, 2012 which is intended to be a bridge to healthcare reform in 2014. This program covers childless adults ages 19-64 not otherwise covered by Medi-Cal. By implementing this program, the County's goal is to provide coverage to this population through the health departments so that the County will be the provider of choice in 2014. To this end, the Department of Public Health has begun providing primary care services, and has received a Federally Qualified Health Center designation for the Hesperia clinic to serve both the existing and new population. The Arrowhead Regional Medical Center (ARMC), Behavioral Health, Public Health, and Transitional Assistance departments will continue their collaborative relationships to offer fully integrated care to County residents.
- Meeting the increased volume demands and to comply with regulations, ARMC opened two additional nursing units in 2011-12, and will be opening an observation unit in 2012-13. ARMC continues to take the steps necessary to respond quickly to the needs of County residents while maximizing reimbursements and controlling costs. These steps will ensure ARMC's viability with healthcare reform.
- ARMC also successfully met the current milestones associated with the new Incentive Plan, a new funding source in 2012-13 under the current Medi-cal waiver that provides for infrastructure development, innovation redesign, population focused improvement and urgent improvement in quality and safety. This funding is designed to provide an innovative approach for an improved delivery system, patient satisfaction and outcomes.
- Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the economic downturn. As a result, state and federal funding increases in the HS - Administrative Claim, mostly in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, and Aid to Adoptive Children were made to assist residents in need. HS departments are anticipated to serve an additional 381 CalWORKs cases (1% increase), 4,521 Medi-Cal cases (4% increase) and 16,014 Food Stamp cases (15% increase) over the prior year.

**Pursue County Goals and Objectives by Working with Other Government Agencies**

- In 2012-13, a \$2.6 million one-time allocation of discretionary general funding has been included for the potential amendment to the Sales Tax Agreement with the City of Fontana for projects within the unincorporated area which would free-up over \$1.5 million per year in ongoing revenue.



- A \$268,250 one-time allocation in support of grants development and non-profit capacity building initiatives is also recommended in 2012-13.

### **CHALLENGES IN FISCAL YEAR 2012-13 AND BEYOND**

In the coming years, the county faces the challenge of continuing to provide quality services to its residents while managing the impacts of reduced revenues and increased costs. In addition to the general economy, other major challenges facing the County include state budget impacts.

#### **State Budget**

In January, the Governor's Budget estimated that the State faced a \$9.2 billion budget deficit for fiscal year 2012-13. The May Revision, however, estimates that the deficit has increased to \$15.7 billion as a result of a reduced revenue outlook, a required increase in K-12 education spending and decisions by the federal government and courts to block previous budget reductions. The proposed budget attempts to close a portion of this gap through a revenue proposal by imposing a temporary personal income tax increase on the state's top income earners and a temporary quarter-cent increase in the State sales tax.

The May Revision proposes County impacts, including public safety and social services realignment and requisite funding; changes to CalWORKs, CalFresh, Child Support Services, Juvenile Offenders, Preschool Services and In-Home Supportive Services (IHSS) programs. While some state funding reductions are anticipated, adjustments for these impacts will be made in the quarterly budget reports, after the fiscal year 2012-13 State Budget is adopted and impacts are confirmed.

#### **Retirement Costs**

Due to the 2008-09 market losses, the County will still experience high retirement contribution rates over the next three fiscal years to ensure retirement liabilities will be funded at a proper level. Additionally, it is anticipated that the County could see an additional \$10.0 million in discretionary general fund retirement costs through 2015-16 as a result of insufficient market earnings for the County's Retirement Fund in 2011-12. As of March 31, 2012, the County's Retirement Fund had earned 0.6% for 2011-12, while the fund is required to earn 7.75% each fiscal year in order to adequately fund retirement liabilities. The County is continuing to actively seek to reduce future retirement costs through proposed compensation reductions as detailed above.

### **CONCLUSION**

The 2012-13 spending plan is structured to solve the remaining five-year \$91.5 million cumulative structural budget deficit. The strategic plan developed by the County Administrative Office outlines measures to address the anticipated cost increases for the next four years so that both the Board and staff can shift their focus to rebuilding the county. This approach eliminates the need to continually focus on programmatic cuts and mitigations, and creates a more positive dynamic.

The 2012-13 Recommended Budget focuses on major policy issues and key projects that require additional funding in an economic climate that continues to cause reductions in county programs and local government. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.

## CONTENTS OF 2012-13 RECOMMENDED BUDGET

There are two workbooks for the 2012-13 Recommended Budget, both are user friendly for the public, Board of Supervisors, and departments. The first workbook is 2012-13 Recommended Budget Executive Summary and the second workbook is 2012-13 Recommended Budget. Both workbooks have tabbed sections that are described below:

The first workbook, 2012-13 Recommended Budget Executive Summary, is a summary of the 2012-13 Recommended Budget, which begins with a memo from the Chief Executive Officer (CEO), and includes the following sections:

- **Strategic Plan**, which summarizes the CEO's plan to address the five-year cumulative deficit and the detailed changes in ongoing discretionary general funding and the cost to maintain services in the 2012-13 fiscal year, as well as mitigations required to be implemented in the 2012-13 fiscal year to maintain a structurally balanced budget.
- **Identified Needs**, which summarizes the one-time discretionary general funding available and the recommended one-time costs and allocation for 2012-13 and identifies future needs that are currently unfunded that the county will have to address.
- **County Budget Summary**, which shows total appropriation and total revenue included in the 2012-13 Recommended Budget with comparative numbers from the 2011-12 modified budget. Also included is total budgeted staffing recommended for 2012-13 with comparative numbers from the 2011-12 modified budget.
- **Discretionary General Funding**, which summarizes how the general fund is funded in 2012-13 as well as the balances of unallocated discretionary sources (contingencies) and reserves.

The second workbook, 2012-13 Recommended Budget, begins with a **County Budget Overview**, which provides information about the County and the budget process and explains to the reader how the workbook functions. There is a tab for each budget group and behind each tab is all the budget unit details within that budget group.

For each department the following is included:

- **Department's Mission Statement.**
- **Department's Organizational Chart**, which includes the names of key personnel of the department, what functions the department performs and budgeted staffing counts by function included in their 2012-13 Recommended Budget.
- **Department's 2010-11 and 2011-12 Accomplishments.**
- **Department's 2012-13 Strategic Goals, Objectives and Performance Measures**, which includes performance measures that can monitor the success of their objectives which tie to their goals.
- **Summary of Budget Units**, which summarizes the 2012-13 Recommended Budget by appropriation, revenue, net county cost, fund balance, revenue over/(under) expense and staffing for all budget units under the direction of a specific department and/or group. This section also includes a five-year trend for each budget unit listed.





For each departmental budget unit the following details are included:

- **Description of Major Services**, provides information regarding the main functions of each budget unit.
- **Budget at a Glance**, lists the budget unit's 2012-13 expenditure authority, sources (including reimbursements), budgeted staffing, and percentage of net county cost, if any.
- **Expenditure Authority and Sources pie charts**, illustrate what percentage of 2012-13 budgeted expenditure authority is spent on staffing expenses, operating expenses, etc., as well as, the percentage of the 2012-13 budgeted sources that come from net county cost, taxes, fee/rate supported revenues, etc.
- **Budgeted Staffing Analysis and 5-Year Staffing Trend**, displays the budget unit's current staffing trend, including regular and limited term positions and associated staffing expenses for the current and two prior fiscal years, and illustrates with a bar graph the budgeted staffing amounts for the past four fiscal years and the upcoming fiscal year.
- **Analysis of 2012-13 Recommended Budget**, includes line item budget amounts by appropriation such as staffing expenses, operating expenses, etc. and line items by revenue sources for the most recent and upcoming fiscal year, as well as actual results for the past three fiscal years, and current year estimates.
- **Budget Changes and Operational Impact**, briefly describes any major budget unit program impacts, and highlights the 2012-13 budget including significant changes in appropriation and revenue from the prior year modified budget.
- **Major Expenditures and Revenue in 2012-13 Recommended Budget**, provides explanations of major departmental expenditures and sources included in the 2012-13 Recommended Budget.
- **Staffing Changes and Operational Impact**, briefly highlights budgeted staffing changes and operational impacts for 2012-13, including significant changes from prior year budgeted staffing.
- **2012-13 Position Summary**, identifies by functions all the classifications budgeted in 2012-13 and separates them by type, regular and limited term, as well as by status, filled, vacant or new when the budget was built.



## Long Term Financial Planning

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. Long-term financial planning is a strategic process that provides governments with the insights and information needed to establish multi-year budget solutions and financial policies and actions that maintain good fiscal health. The County creates a five-year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the County to ensure and enable a plan for the provision of services and capital assets.

The forecast is updated annually and is not a budget. It does not establish policy or priorities, it simply summarizes fiscal capacity. The forecast identifies key factors that affect the County's fiscal outlook and assesses how difficult balancing the budget may be in the future. It helps the County to understand the fiscal challenges ahead and the need to establish priorities.

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions or changing circumstances. As such, this plan highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

### Significant Ongoing Issues Impacting the General Fund:

Salaries and Benefits are projected to increase. The increase in the forecast reflects only current negotiated agreements between the county and employee representation units, and includes costs for budgeted positions.

Retirement costs in part are anticipated to increase due to market losses incurred by the County pension system.

Additional Staffing for the Adult Detention Center Expansion under construction will require a significant amount of funding beginning in 2013-14.

The reduction in property tax revenue for County Fire increases the general fund subsidy required to maintain needed fire services and replace aged emergency fire vehicles.

The following table summarizes the County's five-year financial forecast as it relates to ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The forecast shows that although revenues are beginning to stabilize, cost increases create continued structural issues that need to be addressed.





**COUNTY OF SAN BERNARDINO  
FIVE-YEAR OPERATING FORECAST  
FISCAL YEARS 2011-12 THROUGH 2015-16  
(dollars in millions)**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Assessed Valuation Change</b>	-0.5%	-1.0%	0.0%	2.0%	2.0%
<b>Revenue Growth:</b>					
Property Related	\$ 3.1	\$ (4.9)	\$ –	\$ 7.8	\$ 7.9
Proposition 172	2.5	8.5	6.1	6.3	5.6
Other Revenue	(9.0)	0.9	0.8	0.8	0.9
<b>Total</b>	<b>\$ (3.4)</b>	<b>\$ 4.5</b>	<b>\$ 6.9</b>	<b>\$ 14.9</b>	<b>\$ 14.4</b>
<b>Increase in Costs:</b>					
Salaries & Benefits	\$ (15.1)	\$ (2.4)	\$ (1.9)	\$ (3.0)	\$ (3.3)
Retirement Increases	(13.4)	(15.1)	(19.9)	(17.1)	(3.5)
Insurance and Central Services	(2.5)	(0.5)	0.2	(0.1)	(0.6)
Adult Detention Center Staffing	–	–	(34.2)	–	–
Sheriff Revenue (federal prisoners)	–	(5.8)	–	–	–
Unfunded Leave Liability	(3.9)	–	–	–	–
Increase Subsidy to County Fire	(5.4)	(4.6)	(1.2)	(0.8)	–
Other Costs	(3.5)	(9.3)	(1.6)	(4.4)	(3.1)
<b>Total</b>	<b>\$ (43.8)</b>	<b>\$ (37.7)</b>	<b>\$ (58.6)</b>	<b>\$ (25.4)</b>	<b>\$ (10.5)</b>
<b>Net Yearly Operating Deficit</b>	<b>\$ (47.2)</b>	<b>\$ (33.2)</b>	<b>\$ (51.7)</b>	<b>\$ (10.5)</b>	<b>\$ 3.9</b>
<b>Cumulative Yearly Operating Deficit</b>	<b>\$ (47.2)</b>	<b>\$ (80.4)</b>	<b>\$ (132.1)</b>	<b>\$ (142.6)</b>	<b>\$ (138.7)</b>

In May 2011, the Chief Executive Officer (CEO) presented a plan to address the cumulative five year structural deficit forecast for the fiscal years 2011-12 through 2015-16. The County continues to focus on this five year period. Measures have been implemented by the County to eliminate the structural deficit of \$47.2 million in 2011-12, which leaves a remaining structural deficit of \$91.5 million for fiscal years 2012-13 to 2015-16. The CEO recommends the following approach to address the remaining structural deficit:

- Defer funding the \$34.2 million Adult Detention Center Staffing until the County can afford it. In the interim, work with the Sheriff/Coroner/Public Administrator to look into funding from non-general fund sources or mothball older, less efficient facilities and shift staff to this facility.
- Remove \$5.2 million of increased salary and benefit costs, \$2.5 million in 2014-15 and \$2.7 million in 2015-16. These represent increased medical-related benefits for the County's largest union that will automatically take effect if not addressed in the next round of negotiations.
- With respect to the remaining \$52.1 million structural deficit, the recommended solutions include departmental reductions, a reduction in the annual allocation to the 800 MHz Upgrade Project, a reduction in the annual allocation to the Capital Improvement Program (CIP), cost reductions, and employee concessions. These recommended solutions are summarized on the next page:



**COUNTY OF SAN BERNARDINO  
FIVE-YEAR FORECAST SOLUTIONS  
REMAINING STRUCTURAL DEFICIT  
FISCAL YEARS 2012-13 TO 2015-16  
(\$ in millions)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Total</u>
<b>Yearly Operating Available (Budget Gap)</b>	(\$33.2)	(\$51.7)	(\$10.5)	\$3.9	(\$91.5)
Remove Adult Detention Center Staffing		\$34.2			\$34.2
Remove \$5.2 million in Salaries and Benefits			\$2.5	\$2.7	\$5.2
<b>Revised Yearly Operating Deficit</b>	<b>(\$33.2)</b>	<b>(\$17.5)</b>	<b>(\$8.0)</b>	<b>\$6.6</b>	<b>(\$52.1)</b>
<b><u>Recommended Mitigations</u></b>					
Recommended Mitigations in 2012-13:					
- Departmental Reductions	\$11.8				\$11.8
- AB 109 Revenue for jailed prisoners	5.8				5.8
- Reduce contribution to 800 MHz Upgrade	4.0				4.0
- Reduce base allocation to CIP	3.3				3.3
- Cost reductions	2.9				2.9
- Other solutions	2.1				2.1
- Employee Concessions Achieved	1.5				1.5
- Employee Concessions Still Needed	8.9				8.9
Recommended Mitigations in Future Years					
- Employee Concessions Still Needed			9.5		9.5
<b>Subtotal of Recommended Mitigations</b>	<b>\$40.3</b>	<b>\$0.0</b>	<b>\$9.5</b>	<b>\$0.0</b>	<b>\$49.8</b>
<b>Additional Mitigation Needed in 2013-14</b>		<b>\$2.3</b>			<b>\$2.3</b>
<b>Remaining Yearly Operating Deficit</b>	<b>\$7.1</b>	<b>(\$15.2)</b>	<b>\$1.5</b>	<b>\$6.6</b>	<b>\$0.0</b>
<b>Cumulative Operating Excess (Deficit)</b>	<b>\$7.1</b>	<b>(\$8.1)</b>	<b>(\$6.6)</b>	<b>\$0.0</b>	<b>\$0.0</b>

As reflected above, the recommended solutions for the remaining structural deficit for fiscal years 2012-13 to 2015-16 include:

**Departmental reductions (\$11.8 million)** – Departmental reductions include \$7.8 million to the Sheriff as a result of anticipated employee compensation reductions not achieved in 2011-12 and funding prior year MOU increases with one-time sources, and a \$2.0 million reduction to Economic Development, which will now receive a base amount of ongoing funding, with additional one-time funding added annually reflecting County revenue receipts that are a result of their work. In addition, less ongoing funding was given to Public Defender (\$1.0 million), Regional Parks (\$0.5 million), County Counsel (\$0.4 million), and Assessor (\$0.1 million).

**AB 109 Revenue for jailed prisoners (\$5.8 million)** – The number of federal inmates held in County jails has decreased in 2011-12, making bed space available for prisoners that are being jailed in County facilities as a result of AB 109. This allocation of AB 109 revenue represents the cost of jailing these prisoners.

**Reduce contributions to 800 MHz Upgrade Project (\$4.0 million)** – In the 2011-12 Adopted Budget the County allocated the \$24.0 million ongoing contingency set-aside for Future Space Needs to the 800 MHz Upgrade Project. This annual allocation is reduced by \$4.0 million in the 2012-13 Recommended Budget. Therefore, there will be \$20.0 million annually to fund this project.





**Reduce annual base allocation to CIP (\$3.3 million)** - For the past several years, the County has allocated an annual amount of \$15.3 million for minor capital projects. This annual base is reduced by \$3.3 million in the 2012-13 Recommended Budget. The revised annual amount of \$12.0 million will not jeopardize the County's infrastructure since the County invested almost \$290 million in the past five years to address the County's deferred maintenance backlog.

**Cost reductions (\$2.9 million)** – Cost reductions include a reduction in costs for telecommunication, central computer and radio subsidy in the amount of \$2.0 million. The cost reduction amount also reflects the optional prepayment of \$2.245 million of the County's outstanding Certificates of Participation on November 1, 2011, and the refinancing of \$50.6 million of the County's outstanding Certificates of Participation in March 2012, which together result in total annual debt service savings of \$920,000.

**Other solutions (\$2.1 million)** – Other solutions include the use of \$1.9 million in ongoing contingencies not allocated in 2011-12 and \$0.2 million in savings from departments that are no longer funded by the general fund.

**Employee concessions achieved (\$1.5 million)** – Based on concessions approved in 2011-12, there are additional savings to be realized in 2012-13 of \$0.7 million from Safety Management Employees and \$0.8 million from Specialized Peace Officers.

**Employee concessions still needed (\$8.9 million in 2012-13 and \$9.5 million in 2014-15)** – The County is seeking concessions from unions in both 2012-13 and 2014-15 in an attempt to reduce salary and benefit costs. These concessions, if achieved, will generate a total of \$18.4 million in savings.

The Five-Year Forecast Solutions resolve all but \$2.3 million of the County structural deficit; this amount will be addressed in fiscal year 2013-14. Given that the structural deficit is resolved in the next four fiscal years, and to retain acceptable service levels to the public, the CEO has recommended that the cumulative operating deficit in fiscal years 2013-14 and 2014-15 be resolved with one-time funding. The use of one-time funding to fund ongoing operations does not violate the County's budget policy when it is part of a multi-year plan to balance expenditures and revenues.



## 2012-13 Recommended Budget

The 2012-13 Recommended Budget is structurally balanced and mitigates a \$33.2 million structural deficit as shown in the “Five-Year Forecast Solutions” presented previously. A total of \$40.3 million in mitigations are recommended leaving \$7.1 million in ongoing funding unallocated and placed in contingencies.

As reflected in the five-year forecast, the County anticipates ongoing discretionary revenue increases of \$4.5 million and \$70.4 million in one-time sources in 2012-13.

### COUNTY OF SAN BERNARDINO CHANGES IN DISCRETIONARY REVENUE AVAILABLE FOR FISCAL YEAR 2012-13 (in millions)

	<u>Ongoing</u>	<u>One-Time</u>
<b>Adjusted Ongoing Discretionary Sources:</b>		
Property Related Revenue	(\$4.9)	
Interest Revenue	(3.5)	
Net COWCAP Revenue	4.0	
Sales Tax Revenue	1.4	
Property Tax Administration Fees	(1.0)	
<b>Adjusted Ongoing Proposition 172 Revenue</b>	<b>8.5</b>	
<b>Estimated One-Time Discretionary Sources:</b>		
Use of Reserve		\$5.0
Operating Transfers In		26.5
2011-12 Discretionary Results		38.9
<b>Changes in Available Financing</b>	<b>\$4.5</b>	<b>\$70.4</b>

**Property Related Revenue (-\$4.9 million)** – The decrease in property-related revenue is due to a \$2.7 million decrease in Fiscal Year 2011-12 revenue and a decrease of \$2.2 million in Fiscal Year 2012-13, based on an estimated Fiscal Year 2012-13 assessed valuation decrease of 1.0%. The County has not budgeted any additional property tax revenue that might result due to the dissolution of Redevelopment Agencies pursuant to ABX1 26, as no estimate of this amount is available. The County does continue to budget for pass-through payments consistent with ABX1 26.

**Interest Revenue (-\$3.5 million)** – The decrease in interest revenue includes a \$2.7 million decrease in Fiscal Year 2011-12 revenue, and an additional \$0.8 million decrease in Fiscal Year 2012-13, both caused primarily by decreased interest and penalties from the County's Teeter program, and decreasing interest rates earned on investments.

**Net COWCAP Revenue (\$4.0 million)** – The increase in COWCAP revenue is due to increased costs in departments that receive reimbursements from various state and federal grant programs as well as increased costs in fee supported general fund departments and taxing entities such as the County Library and Board-governed special districts.

**Sales Tax Revenue (\$1.4 million)** – Sales tax is projected to increase in 2012-13 due to increases in recent sales tax receipts as well as projections of the County's sales tax consultants.

**Property Tax Administration Fees Revenue (-\$1.0 million)** – The decrease in property tax administration fees revenue is due to a one-time positive correction in 2011-12.

**Proposition 172 Revenue (\$8.5 million)** – This revenue is derived from a half-cent sales tax that provides funding for public safety services. The County allocates its Proposition 172 revenues as follows: 70% to the Sheriff/Coroner/Public Administrator, 17.5% to the District Attorney and 12.5% to the





Probation Department. The Proposition 172 change of \$8.5 million represents the \$5.8 million increase projected for next year due to increases in recent sales tax receipts and projections of the County's sales tax consultants, and the portion of the Fiscal Year 2011-12 increase, \$2.7 million, that has not been allocated in Fiscal Year 2011-12. For Fiscal Year 2011-12, the County's Proposition 172 revenue is expected to exceed budget by \$9.8 million, \$7.1 million used in Fiscal Year 2011-12 as an alternative measure to produce savings in lieu of anticipated compensation decreases that were not achieved, and \$2.7 million to be recommended to use in 2012-13 by waiving policy. Per County's Budgeting Policy, revenues in excess of the lesser of 8% or the average annualized rate of growth will be deposited into a revenue stabilization contingency set-aside. However, due to the difficult economic times, the 2012-13 Recommended Budget requests a waiver of this policy to allow the allocation of this \$2.7 million in the 2012-13 budget. In total, Proposition 172 revenue is expected to increase by \$15.6 million in 2012-13, as compared to the Fiscal Year 2011-12 Adopted Budget.

**Use of Reserve (\$5.0 million)** – The County is recommending to use the entire amount of the High Desert Fire Station Reserve to fund a \$2.6 million contribution to the Needles fire station and a \$2.4 million contribution to the fire station at Spring Valley Lake.

**Operating Transfers In (\$26.5 million)** – Operating transfers in includes the return of \$17.0 million from Capital Improvement Program that was previously allocated for the Sheriff's new Crime Lab and other one-time sources totaling \$9.5 million anticipated to be received in 2012-13.

**2011-12 Discretionary Results (\$38.9 million)** – At the end of 2011-12 the County is anticipating \$20.6 million in unspent contingency appropriation and projected departmental appropriation savings of \$12.1 million. In addition, discretionary revenues are projected to be approximately \$6.2 million over budgeted amounts due to property tax revenues estimated to be \$2.7 million less than budgeted amounts, interest revenues estimated to be \$2.7 million less than budgeted amounts, a \$2.1 million increase in sales tax revenue, \$1.5 million in unclaimed property tax refunds, \$2.5 million in excess employee benefit administration funds, and the \$5.5 million one-time bridge funding included in the 2011-12 Adopted Budget but not used.



As reflected in the five year forecast, the County anticipates ongoing cost increases of \$37.7 million in 2012-13 and \$65.4 million in one-time costs and allocations.

**COUNTY OF SAN BERNARDINO  
CHANGES IN COSTS FUNDED WITH DISCRETIONARY REVENUE  
FOR FISCAL YEAR 2012-13  
(in millions)**

	<u>Ongoing</u>	<u>One-Time</u>
<b>Increase in Ongoing Costs</b>		
Salaries and Benefits	\$2.4	
Retirement Increases	15.1	
Sheriff Revenue Loss	5.8	
Increased Insurance/Central Services	0.5	
Increase Subsidy to County Fire	4.6	
Utilities and Mandated Costs	9.3	
<b>One-Time Costs</b>		
Department Allocations		\$16.8
Operating Transfers Out		32.3
Contingency Appropriation		9.7
Reserve Contributions		6.6
	<u><b>\$37.7</b></u>	<u><b>\$65.4</b></u>

**Salaries and Benefits (\$2.4 million)** – Approved compensation increases pursuant to negotiated memoranda of understanding with employee groups of the County, and increased retirement costs associated with these raises.

**Retirement Increases (\$15.1 million)** – Estimated increases in retirement costs unrelated to the salary increases caused primarily by market losses incurred by the retirement system.

**Sheriff Revenue Loss (\$5.8 million)** – The federal inmate population in County jails has declined, resulting in a decline in sheriff revenue.

**Increased Insurance/Central Services (\$0.5 million)** – Estimated increases funded for Risk Management's self-insurance costs, facilities costs for county buildings and emergency fuel costs.

**Increase Subsidy to County Fire (\$4.6 million)** – Increase subsidy to County Fire to maintain needed services in light of fire district property tax revenue reductions and for replacement of aged emergency fire vehicles.

**Utilities and Mandated Costs (\$9.3 million)** – These costs primarily include \$2.0 million for human services programs, \$1.6 million for application maintenance and support for countywide computer systems, \$1.4 million for utilities, \$1.0 million Trial Court Funding MOE, and \$0.5 million for Indigent Defense costs.

**Departmental Allocations (\$16.8 million)** – These costs include \$3.0 million to Land Use Services, \$2.9 million to the Registrar of Voters for the upcoming presidential election, \$4.5 million to fund salaries and benefits in anticipation of compensation reductions pending the outcome of labor negotiations, \$3.1 million to Sheriff/Coroner/Public Administrator to maintain crucial public safety services, and \$2.0 million to Economic Development from revenue the department generated for the County from the previous fiscal year.





**Operating Transfers Out (\$32.3 million)** – These allocations include \$5.0 million to Transportation for maintenance of County roads, \$5.9 million to Flood Control for construction of the Rimforest storm drain, \$4.0 million for a rehabilitation and seismic safety project at Lake Gregory Dam, \$2.6 million for potential amendments to the Fontana Sales Tax Agreement, \$2.0 million for Public Works computer systems, \$1.3 million for Sheriff's Crime Lab Addition Design, and \$10.0 million to the Capital Improvement Program for the Downtown Building Project.

**Contingency Appropriation (\$9.7 million)** – This appropriation includes \$8.4 million allocated to mandatory contingencies (1.5% of locally funded appropriation) and \$1.3 million in board approved contingency set-asides.

**Reserve Contributions (\$6.6 million)** – The contribution of \$5.6 million is allocated to the general purpose reserve, and \$1.0 million is allocated to the High Desert Fire Station Reserve.

**COUNTY OF SAN BERNARDINO  
SUMMARY OF COUNTY'S FISCAL YEAR 2012-13 STRATEGIC PLAN  
AND RECOMMENDED MITIGATIONS  
(in millions)**

	<u>Ongoing</u>	<u>One-Time</u>
Change in Available Discretionary Sources	\$ 4.5	\$70.4
Change in Costs Funded with Discretionary Sources	(37.7)	(65.4)
Recommended Cost Mitigations	<u>\$40.3</u>	<u>0.0</u>
2012-13 Unallocated	\$7.1	\$5.0

The Unallocated amounts above will be budgeted in Contingency for Uncertainties and are planned to be used in 2013-14.



The County Strategic Plan (five-year forecast) primarily focuses on increases in costs to maintain current services and how much discretionary revenue is available to fund these costs and/or what mitigations are needed. In addition to preparing the five-year forecast the County Administrative Office also identifies needs within the County that are not currently funded and require funding with ongoing or one-time sources.

## ONGOING NEEDS

As reflected in the strategic plan the 2012-13 Recommended Budget funds \$37.7 million in increased ongoing costs (\$35.1 million to maintain current services and \$2.6 million in increased needs as detailed below).

### Ongoing Costs Identified to be Funded (in millions)

	Ongoing
Application maintenance and support for countywide computer systems	\$1.6
Maintain ePro System	0.4
Finance and Administration Support	0.3
Stormwater Permit	0.3
<b>Additional Ongoing Costs in 2012-13 Recommended Budget</b>	<b>\$2.6</b>

#### **\$1,600,000 ongoing for application maintenance and support**

In 2008-09, the Information Services Department's Application Development division sustained a 20% budget reduction, resulting in the elimination of 7 programmer positions. As a result, the maintenance and support of locally funded applications has fallen behind. Building back this funding will add 4 positions and 21,112 hours to support and maintain general fund systems at "ideal" levels, as recommended by the Information Services Department.

#### **\$368,000 ongoing for ePro**

The projected 2012-13 increased costs of \$368,000 associated with the San Bernardino County Electronic Procurement Network (ePro) are critical to proceed with implementation and to allow time for the Contract Transaction Charge (CTC) to be realized. In 2012-13 the costs incurred will be for the integration of ePro with the financial accounting system in order to eliminate manual entry of encumbrances and further streamline the procurement process. The goal is to have all costs associated with ePro to be funded by the CTC. In addition, since vendors will be remitting their CTC quarterly, the department has requested lead time to allow for the fee ordinance to become effective and for the process to begin which will also be accomplished with this funding. These costs are subject to be offset with the fee revenue associated with the (CTC). As CTC is realized, savings in Net County Cost associated with this program will be returned to the general fund.

#### **\$300,000 ongoing for two administrative analysts**

Finance and Administration has been reduced by four administrative analysts over the past few years. As a result, key finance duties have not been analyzed or performed. Two administrative analysts need to be added in order to concentrate on 1) providing relevant and timely information to the Board of Supervisors to make informed decisions, 2) developing the true cost of providing services independently, 3) developing contracts that protect the financial interests of the County, 4) ensuring policy and standards of practice are being followed and 5) analyzing and monitoring revenue sources.

#### **\$300,000 ongoing for additional NPDES permit activities**

The County currently has \$1.0 million in discretionary general funding to comply with the current National Pollutant Discharge Elimination System (NPDES) permit activities in the unincorporated areas outside of the Santa Ana River Watershed. This additional \$300,000 will fund the County to continue these permit activities include providing public education and the preparation and submittal of the Annual Report. In addition, this amount will assist in implementing the upcoming Phase II MS4 permit.





**ONE-TIME NEEDS**

As reflected in the strategic plan, the 2012-13 Recommended Budget funds \$65.4 million in increased one-time costs (\$19.6 million per Board policy or direction and \$45.8 million in increased needs as detailed below).

**One-time Costs Identified to be Funded  
(in millions)**

	One-time
Downtown Building Project	\$10.0
Rimforest Storm Drain Project	5.9
Pavement Management Program	5.0
Bridge Funding for Employee Concessions	4.5
Lake Gregory Dam	4.0
Land Use Services Activities	3.8
Sheriff/Coroner/Public Administrator Funding	3.1
Fontana Sales Tax Agreement	2.6
Economic Development Funding	2.0
Comprehensive Public Works Financial Cost Accounting System	2.0
Sheriff/Coroner/Public Administrator Crime Lab Addition Design	1.3
Additional Funding for Fire Station in Needles	0.7
Oversight Board Costs	0.3
Traffic Signal at Valley and Banana in Fontana	0.3
Community Foundation	0.3
<b>Additional One-time Costs in 2012-13 Recommended Budget</b>	<b>\$45.8</b>

**\$10.0 million one-time for Downtown Building Project**

This project will purchase existing buildings, seismically retrofit and modernize certain existing buildings, and demolish older facilities in which additional investment is not recommended. Additional funding of \$10,000,000 is recommended to be added to the current funding of \$30,000,000 for a total of \$40,000,000. It is anticipated that additional square footage will be acquired than originally anticipated and the project budget will also include furniture, fixtures and equipment that was previously anticipated would be funded by departments.

**\$5.9 million one-time for Rimforest Storm Drain Project**

Due to severe erosion and land sliding in the Rimforest community a study was performed to evaluate the impact of the drainage on the stability of the slope. The study identified a potential construction project to reroute the drainage back into Little Bear Creek which flows through Blue Jay and into Lake Arrowhead (Mojave Watershed). This would require construction of storm drain systems along Highway 18 and inside the village of Rimforest. Peak-flow regulation basins would be required to avert runoff damage to Blue Jay and structures along Little Bear Creek. This amount will fund right of way, environmental, and construction. An estimated \$400,000 is needed for the design in 2012-13 and \$5.5 million will be set aside for the construction and will be transferred to the Public Works Department when needed.

**\$5.0 million one-time for Pavement Management Program**

On June 9, 2011, the Board created Public Work's Pavement Management Program as part of the Board's effort to realize the Countywide Vision by improving the quality of life for County residents. The Pavement Management Program will sustain the pavement condition index (PCI) of 76 for county maintained roads by doing surface treatments on 45 miles and rehabilitating 5.9 miles of roads. This program requires \$18.0 million per year to implement which is \$5 million above the Fiscal Year 2012-13 available departmental funds. In order to fully fund the Pavement Management Program in 2012-13 an allocation of \$5.0 million is needed.



**\$4.5 million one-time for bridge funding for employee concessions**

The Human Resources Department is negotiating with four labor unions to obtain employee concessions to reduce salary and benefit costs as part of the five-year forecast solutions to address the County structural deficit. These concessions, if achieved, will generate \$8.9 million in annual savings. The County is setting aside \$4.5 million in bridge funding as reductions may not be implemented until mid-year 2012-13.

**\$4.0 million one-time for Lake Gregory Dam**

The County received a violation notice from the California Department of Safety of Dams (DSOD) on April 29, 2008 stating that the Lake Gregory Dam did not meet the State's requirements for stability during a major seismic event and the required evacuation rate (how fast the lake level could be lowered). Special Districts did a Final Stability Analysis of the dam which was approved by DSOD on May 2, 2012. The plans and specifications to modify the outlet works for the dam to meet the State required evacuation rate are currently under review by the DSOD. Special Districts are now preparing a study that identifies 11 alternatives (ranging in value from \$2 - \$15 million) to remediate the dam and stabilize it.

This \$4.0 million will be used to construct the outlet works upgrade project, estimated at \$500,000, and can fund the construction of the dam remediation option selected if in the \$2.0 - \$3.0 million range. This funding will also cover the costs for inspection during construction, construction management of the projects, permits and fees to DSOD for their inspections, and any and all changes to the work generated by changed site conditions. DSOD will ultimately have to approve the selected and preferred alternative.

**\$3.8 million one-time for Land Use Services activities**

\$2.3 million to Land Use Services – Planning will allow department to update the General Plan, create more specific plans to better reflect the unique character of all areas of the county, and amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the county.

\$0.7 million to Land Use Services - Administration will allow the department to purchase a new permitting software. This new software will allow all of the divisions of LUS, Public Works, and County Fire to interface with each other for the purposes of issuing permits. A new permitting application will also increase the efficiency of the department and help to streamline the permitting process.

\$400,000 to Land Use Services - Planning will fund high-level consulting services to identify efficiencies in business processes, streamline day-to-day operations, assist with high profile project management, and provide training to staff. In addition, mid-level and day-to-day consultant services will be utilized to assist with various types of routine project management on an as-needed basis to keep up with current workloads.

\$360,000 to Land Use Services - Code Enforcement will enable the continuation of the Medical Marijuana enforcement program. This includes supporting a specialized Code Officer to address Medical Marijuana code cases and supporting County Counsel costs specific to Medical Marijuana litigation.

**\$3.1 million one-time for Sheriff/Coroner/Public Administrator activities**

\$3.1 million to Sheriff/Coroner/Public Administrator will allow the department to maintain necessary public safety services.

**\$2.6 million one-time for Fontana Sales Tax Agreement**

On August 26, 2008 the County approved an agreement with the City of Fontana where 37% of the sales tax received in the Western Sphere of Influence of the City of Fontana (8.5 square miles of unincorporated area within the County) would be set aside to use on projects within this Sphere that are mutually agreed upon by both parties. During the adoption of the 2011-12 Budget, the Board of Supervisors allowed the County to substitute money from the County redevelopment area, which is also in the Sphere, to free up money for the general fund. With the dissolution of the redevelopment agencies, negotiations are in process to potentially amend this agreement. There is currently \$3.9 million from sales tax set aside from this agreement and an additional \$2.6 million will be needed based on current



negotiations. The County's goal is to get the ongoing sales tax back into the general fund on an ongoing basis.

**\$2.0 million one-time for Economic Development**

The Economic Development Department will now receive a base amount of ongoing funding of about \$1.0 million and additional one-time funding up to \$2.0 million based on the County revenue that is received in the prior fiscal year as a result of their work. The department has generated over \$2.0 million in new revenue to the County in 2011-12.

**\$2.0 million one-time for Comprehensive Public Works Financial Cost accounting system**

The Public Works Department needs to upgrade its cost accounting system which is utilized to provide tracking and reporting information for public works projects at the project level in order to comply with federal and state requirements. The system also tracks equipment, maintenance, and materials. The department would like to implement a public works financial system that includes, work order budgeting, and other functions to allow the department to track projects from the Planning phase to the construction phase, as well as tracking maintenance and paving condition of the County Maintained Road System.

**\$1.3 million one-time for Sheriff's Crime Lab Addition Design**

This project will provide funding of \$1.3 million to redesign an expansion and remodel of the existing Sheriff's Crime Lab located at 200 S. Lena Road in San Bernardino.

**\$0.7 million one-time for Fire Station in Needles**

An additional \$0.7 million is needed in 2012-13 to finish construction of the Fire Station in Needles. This is funded with the High Desert Fire Station Reserve.

**\$0.3 million one-time for Oversight Board Costs**

With the State's dissolution of local redevelopment agencies in 2011-12, 26 Oversight Boards, each of which includes a County representative and a public representative appointed by the Board of Supervisors, were created within the County to ensure that ongoing redevelopment expenses and assets are managed properly. The County Economic Development Agency will serve as a resource to those appointees to ensure the County's interests are represented on all Oversight Boards. Funding of \$0.3 million is needed in 2012-13 to provide this resource.

**\$0.3 million one-time for Traffic Signal at Banana**

The intersection of Valley Boulevard and Banana Avenue is at the top of the County's traffic signal priority list and is located 50% within the City of Fontana and 50% within the County. In May 2011, the County and former Speedway Redevelopment Agency (RDA) entered into an agreement for the RDA to fund the County's share of the project which is estimated at \$277,000. Subsequently, the County entered into an agreement with the City of Fontana to complete design and construction of the signal. Both the County and Fontana have obtained gratis right of way or easement for construction of the project from the adjacent property owners in anticipation of completing improvements that would benefit those properties. With the dissolution of the RDA, the County funding was lost. In order to complete this much needed project and avoid issues with the adjacent property owners, an allocation of \$250,000 is needed.

**\$0.3 million one-time to Community Foundation**

This funding of \$268,250 to the Community Foundation will support grants development and non-profit capacity building initiatives in 2012-13.





**ONGOING AND ONE-TIME COSTS NOT FUNDED IN 2012-13**

The immediate one-time costs and allocations were addressed in the 2012-13 Recommended Budget. However, the County has long-term needs summarized below that still need to be addressed in the upcoming years.

**Ongoing Costs Still Need Ongoing Funding  
(in millions)**

	Ongoing
Adelanto Detention Center Staffing	\$34.2
Pavement Management Program	5.0
<b>Ongoing Costs Not Funded</b>	<b>\$39.2</b>

**One-time Costs Still Need One-time Funding  
(in millions)**

	One-time
Various Transportation Projects	\$253.3
Construction of Public Safety Operations Center in the Valley	75.0
Fire Training and Support Services	15.0
Sheriff/Coroner/Public Administrator aviation relocation	9.0
Additional District Attorney and Public Defender space for New SB Courthouse	1.5
EMACS Upgrade	1.0
<b>One-time Costs Not Funded</b>	<b>\$354.8</b>



**SUMMARY**

	Fiscal Year 2010-11 Final Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2011-12 Modified Budget	Fiscal Year 2012-13 Recommended Budget
<b><u>Requirements</u></b>				
Staffing Expenses	1,419,302,940	1,491,395,717	1,535,001,381	1,602,792,002
Operating Expenses	1,792,009,603	1,955,539,548	1,994,008,485	2,083,367,525
Capital Expenditures	275,912,993	322,105,810	329,436,421	255,414,566
Reimbursements	(194,812,962)	(203,895,082)	(217,059,502)	(251,138,053)
Contingencies	522,887,720	416,885,182	390,258,341	366,160,886
Subtotal Appropriation	3,815,300,294	3,982,031,175	4,031,645,126	4,056,596,926
Operating Transfers Out	274,634,761	235,581,786	266,346,657	267,029,549
Total Requirements	4,089,935,055	4,217,612,961	4,297,991,783	4,323,626,475
<b><u>Sources</u></b>				
Taxes	571,745,866	575,277,685	575,464,238	586,759,926
Realignment	152,027,441	197,904,540	203,491,346	209,720,945
State, Federal, or Government Aid	1,700,393,572	1,707,974,809	1,739,417,137	1,763,243,612
Fee/Rate	642,733,960	723,945,231	727,850,862	682,676,712
Other Revenue	131,037,340	109,293,209	125,820,540	130,758,898
Operating Transfers In	245,271,842	222,344,041	249,915,897	204,052,456
Fund Balance/Unrestricted Net Assets	524,891,887	632,597,693	627,401,797	698,043,660
Fund Balance for Board Discretionary Fund Allocations	0	0	0	11,081,283
General Fund Unassigned Fund Balance	51,474,803	69,913,117	69,913,117	38,883,880
Use of Reserves	71,358,344	4,864,427	5,218,640	5,000,000
Contributions to Reserves	(1,000,000)	(26,501,791)	(26,501,791)	(6,594,897)
Total Sources	4,089,935,055	4,217,612,961	4,297,991,783	4,323,626,475

The schedule above represents the entire County Budget from the 2010-11 Final Budget through the 2012-13 Recommended Budget. The 2012-13 Recommended Budget for the County includes \$4,323,626,475 in budgeted requirements and sources as well as 19,049 in budgeted staffing. Further detail is provided in the following pages related to the County's Recommended Appropriation, Revenue, and Budgeted Staffing for the upcoming fiscal year.



**APPROPRIATION SUMMARY**

The 2012-13 Recommended Budget includes appropriation of \$4,056,596,926, which is an increase of \$24,951,800 or 0.62% over the 2011-12 Modified Budget. The 2011-12 Adopted and Modified Budget has been restated due to the movement of the Automated Systems Development budget unit from Fiscal to Restricted Funds in this appropriation summary schedule. The schedule below lists appropriation, however, it does not include operating transfers out. This schedule shows the change from the prior year modified budget.

	2010-11 Actual	2011-12 Adopted	2011-12 Modified Budget	2012-13 Recommended Budget	Change Between 2011-12 Modified & 2012-13	Percentage Change
Countywide Operations (General Fund)						
Administration	54,020,281	60,905,525	65,454,453	67,694,603	2,240,150	3.42%
Economic Development Agency	3,017,803	2,967,151	3,192,151	3,045,214	(146,937)	(4.60%)
Fiscal	52,515,836	53,721,388	53,783,888	58,848,867	5,064,979	9.42%
Human Services	1,173,258,845	1,242,782,393	1,248,352,824	1,269,010,827	20,658,003	1.65%
Law and Justice	656,579,143	691,262,326	721,126,768	754,324,519	33,197,751	4.60%
Operations and Community Services	79,366,694	88,463,200	88,962,651	92,092,967	3,130,316	3.52%
Capital Facilities Leases	52,176,465	16,258,391	16,258,391	13,052,882	(3,205,509)	(19.72%)
Contingencies	-	40,096,166	29,983,169	24,166,844	(5,816,325)	(19.40%)
Countywide Discretionary	1,277,452	7,500,000	7,794,705	7,500,000	(294,705)	(3.78%)
<b>Total General Fund</b>	<b>2,072,212,519</b>	<b>2,203,956,540</b>	<b>2,234,909,000</b>	<b>2,289,736,723</b>	<b>54,827,723</b>	<b>2.45%</b>
Special Revenue Funds	333,709,973	624,859,826	620,765,268	580,498,361	(40,266,907)	(6.49%)
Enterprise Funds	480,864,526	654,057,856	662,389,474	670,540,725	8,151,251	1.23%
Internal Service Funds	142,575,135	161,714,312	180,840,666	194,697,940	13,857,274	7.66%
Capital Project and Debt Service Funds	79,586,472	242,535,763	231,833,840	228,464,273	(3,369,567)	(1.45%)
Restricted Funds	-	94,906,878	100,906,878	92,658,904	(8,247,974)	(8.17%)
<b>Subtotal</b>	<b>1,036,736,106</b>	<b>1,778,074,635</b>	<b>1,796,736,126</b>	<b>1,766,860,203</b>	<b>(29,875,923)</b>	<b>(1.66%)</b>
<b>Total Countywide Funds</b>	<b>3,108,948,625</b>	<b>3,982,031,175</b>	<b>4,031,645,126</b>	<b>4,056,596,926</b>	<b>24,951,800</b>	<b>0.62%</b>

**Countywide Operations (General Fund)**

The County General Fund contains the following operational groups, which have a total budgeted appropriation of \$2,289,736,723 recommended for 2012-13:

**Administration** has appropriation of \$67,694,603 and contains County departments and functions that provide leadership and support for departments that provide direct public services to County residents. The leadership section of this operational group includes the Board of Supervisors (\$7.6 million), which is the governing body of county government, and the County Administrative Office (\$3.9 million), which directs and coordinates departmental activities according to the law and strategic goals set by the Board of Supervisors. Various support functions include civil legal services provided by County Counsel (\$8.5 million), employment and employee related services provided by Human Resources (\$7.4 million), and information technology support provided by the Information Services Department (\$15.4 million).

**Economic Development Agency** has appropriation of \$3,045,214 and provides services that seek to create, maintain, and grow the economic value of the County. Such services include small business assistance and technical support, permitting assistance, international trade services, and business site selection assistance.

**Fiscal** has budgeted appropriation of \$58,848,867 and includes the Auditor-Controller/Treasurer/Tax Collector (\$37.1 million) as well as the Assessor/Recorder/County Clerk (\$21.8 million). These departments provide services to the public and other County departments related to the establishment and collection of County property taxes along with other fiscal services that ensure the proper reporting and usage of taxpayer funds. Specifically, the Auditor-Controller/Treasurer/Tax Collector processes, safeguards and provides information regarding County financial activities, manages the County treasury pool, collects and distributes property taxes and other obligations owed to County agencies and courts. The Assessor/Recorder/County Clerk performs mandated assessment of properties, recording, and County clerk functions.





**Human Services** is the largest operational group within the County with appropriation totaling \$1,269,010,827. This group provides health and social service programs to County residents through a number of County departments. Health services are provided primarily through the Department of Behavioral Health (\$129.3 million), Public Health (\$71.1 million), and California Children's Services (\$19.6 million). Social services are provided primarily through the Human Services Administrative Claim budget unit (\$442.5 million), Human Service Subsistence Payments budget units (\$495.0 million), Child Support Services Department (\$40.2 million), and the Aging and Adult Services Department (\$10.0 million).

**Law and Justice** has appropriation of \$754,324,519 and provides public safety services to County residents. The Sheriff/Coroner/Public Administrator (\$476.7 million) provides law enforcement services for the unincorporated areas of the County and provides some countywide law enforcement services as well (\$201.8 million for general operations). Another primary function of the Department is to provide Detention facilities (\$153.6 million) for all of the County pre-sentenced inmates as well as sentenced inmates no longer required to go to State prison as a result of the realignment by the State of adult offenders (AB 109). The Department also provides law enforcement services to 14 County cities through contractual agreements (\$121.3 million). The Probation Department (\$139.4 million) provides supervision of adult and juvenile probationers throughout the County as well as for recently realigned State parolees (AB 109). The District Attorney's Office (\$63.1 million) is responsible for prosecuting crimes committed within the County and the Public Defender (\$34.4 million) provides legal counsel for indigent defendants within the County.

**Operations and Community Services** has appropriation of \$92,092,967 and provides both internal support of County operations as well as external services to the public that promote the quality of life and well-being of County residents. Services that support the general operation of County government include custodial, grounds, and maintenance by Real Estate Services - Facilities Management Division (\$12.7 million), the payment of County utilities (\$19.5 million), and real estate services (\$4.3 million). Departments that provide direct services to the community include Agriculture/Weights and Measures (\$6.7 million), Land Use Services (\$19.4 million), Registrar of Voters (\$8.8 million), Regional Parks (\$10.6 million), and County Museum (\$3.5 million).

**Capital Facilities Leases** has appropriation of \$13,052,882 and funds the cost of long-term capital lease payments for major County facilities financed by the General Fund. Lease payments include the Justice Center/Chino Airport Improvements and the West Valley Detention Center.

**Contingencies** of \$24,166,844 represent the County mandatory 1.5% contingency (\$8.4 million) per Policy 02-10 in the general fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting County operations that could not have been reasonably anticipated. The remaining \$15.8 million represents the County General Fund – Uncertainties Contingencies, which is unallocated funding available from 2012-13 sources that has not been set-aside and any unassigned fund balance estimated to be carried over from 2011-12.

**Countywide Discretionary** of \$7,500,000 primarily represents expenses related to the County issuing Tax Revenue Anticipation Notes (TRANs), which is a short term note issued by the County to address cash flow needs throughout the year because expenditures are incurred before County property tax revenues are received.

### **Special Revenue Funds**

Special Revenue Funds have appropriation totaling \$580,498,361. These funds account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes and are primarily used to fund the following operational units within the County:

**Administration** has appropriation totaling \$5.5 million that is funded by Special Revenue Funds. Specifically, the Human Resources Department receives funds for Commuter Services (\$1.4 million) to pay for mobile source air pollution reduction programs for County employees. Additionally, Human Resources receives funding, under its Employee Benefits and Services unit (\$4.0 million), to administer the County's health, dental, vision, and life insurance plans as well as its integrated leave programs.



**Economic Development** has appropriation of \$91.2 million, including \$47.8 million for Community Development and Housing services funded primarily by federal Community Development Block Grant funds and \$21.6 million to the Department of Workforce Development, which is funded by federal Workforce Investment Act revenue. Additionally, \$21.8 million in appropriation will assist the County in managing the dissolution of the County's former Redevelopment Agency (RDA) as required by State Assembly Bill X1 26 (Dissolution Act), which was approved by the Governor on June 29, 2011. Additional appropriation associated with the dissolution of the County's former RDA is included in various Capital Projects and Debt Service Funds detailed below.

**Fiscal** has appropriation of \$9.6 million and primarily represent statutory fees collected by the County to assist with services provided by the County Recorder (in the Assessor/Recorder/County Clerk Department). Funds are used to support the creation, retention, and retrieval of information in the County's system of recorded documents.

**Human Services** has appropriation of \$224.7 million, which primarily contains restricted funds for health services provided by the Department of Behavioral Health (\$144.5 million) and Public Health (\$7.9 million). The largest Special Revenue Fund in the health related operational group is the Mental Health Services Act fund (\$124.0 million). Passed by voters on November 2, 2004 (Proposition 63), taxpayers with an annual income exceeding \$1 million receive an income tax surcharge of 1% that is to be used to reduce the long-term adverse impact on individuals, families, and state and local budgets resulting from untreated serious mental illness. Human Services also contains the Preschool Services Department (\$48.4 million), which administers the Federal Head Start and Early Head Start programs, California Department of Education State Preschool Program, as well as the Child and Adult Food Care Program.

**Law and Justice** has appropriation of \$66.1 million primarily associated with various Sheriff/Coroner/Public Administrator (\$37.2 million), Probation Department (\$13.8 million), and District Attorney (\$9.6 million) restricted funding sources. The Sheriff/Coroner/Public Administrator major Special Revenue Funds include appropriation to provide law enforcement training at the Sheriff's Academy (\$5.9 million), operate the Local Automated Fingerprint Identification System (CAL-ID Program - \$4.9 million), and utilize federal seized asset funds for various law enforcement related purposes (\$6.8 million). The Probation Department's primary Special Revenue Fund is associated with the Juvenile Justice Grant Program (\$9.6 million), which allocates state resources to fund programs that address juvenile crime prevention and focus on public safety. The District Attorney receives a variety of special funds, principally including a Specialized Prosecution fund (\$3.0 million) that is used to prosecute crimes such as hazardous waste dumping and consumer fraud and a Workers' Compensation Insurance Fraud Prosecution fund (\$2.6 million).

**Operations and Community Services** appropriation of \$182.1 million is primarily for utilization by the Department of Public Works – Transportation (\$141.4 million). This department is responsible for the operation, maintenance, and improvement of the County's road system that currently includes approximately 2,768 miles of roadway. Other notable funds include appropriation for the County Library (\$13.9 million) and County Airport Capital Improvement programs (\$6.1 million).

### **Enterprise Funds**

Enterprise funds have appropriation of \$670,540,725. These proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the public be financed or recovered primarily through user charges. There are two main enterprise fund operating groups within the County, as follows:

**Arrowhead Regional Medical Center (ARMC)** has appropriation of \$470.8 million and provides medical services to County residents. ARMC is an acute care facility that provides a full range of inpatient and outpatient services, has three off campus community health centers, and provides Department of Behavioral Health's inpatient activities and numerous specialty activities.



**Operations and Community Service's** Department of Public Works – Solid Waste Management has appropriation of \$192.2 million and is responsible for the operation and management of the County solid waste disposal system, which consists of six regional landfills, nine transfer stations, two low volume transfer operations/community collection centers and thirty-three closed landfills or disposal sites.

### **Internal Service Funds**

Internal Service Funds have appropriation of \$194,697,940. These proprietary funds are used to account for the funding of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis. All Internal Service Funds are located within the Administration operating group, and include these main departments:

**Department of Risk Management** has appropriation of \$89.6 million and administers the County self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs as well as its insured programs.

**Information Services Department** has appropriation of \$48.8 million to run its Computer Operations division, which provides enterprise data center services and a portion of the County communications services to County departments on a 24/7 basis. Additionally, the Department has a Telecommunications Services division that provides for the design, operation, maintenance and administration of the County-operated telecommunications phone network; the County Regional Public Safety Radio System; and the County Wide Area Network that joins approximately 16,600 County users together for the efficient use of technology.

**Fleet Management Department** has appropriation of \$28.2 million in order to provide vehicles, equipment, and related services to officials and employees of the County.

**Purchasing Department** has appropriation of \$10.4 million to provide printing services, mail and courier services, and management of county surplus property and storage for County departments.

### **Capital Project and Debt Service Funds**

Capital Project Funds have appropriation of \$221,627,884 and Debt Service Funds have appropriation of \$6,836,389, for a total appropriation of \$228,464,273. Capital Project Funds are used to account for financial resources designated for the acquisition or construction of major capital facilities and Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The primary Capital Project Fund for the County is the Capital Improvement Program (CIP) budget unit totaling \$177.7 million in appropriation. Further detail on major capital projects for 2012-13 are shown in the Capital Improvement Program section. The remaining \$50.8 million in appropriation is associated with managing the dissolution of the County's former Redevelopment Agency (RDA) as required by State Assembly Bill X1 26 (Dissolution Act), and is included as part of the Economic Development operational group.

### **Restricted Funds**

Restricted Funds (General Fund) have appropriation of \$92,658,904 consist of three limited use budgets – Propositions 172 Half-Cent Sales tax, Realignment, and Automated Systems Development. Proposition 172 revenue assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Realignment assists in funding mental health, social services and health programs within the County. Automated Systems Development is funding that is set aside for the purpose of developing, upgrading, and/or replacing the County Financial Accounting System and other future developments. All funding not anticipated to be utilized during the fiscal year are appropriated in contingencies in these restricted funds.





## **APPROPRIATION CHANGES AND OPERATIONAL IMPACT**

### **Countywide Operations (General Fund)**

Countywide Operations in the General Fund show an increase in appropriation of \$54,827,723 over the prior year modified budget, which is a 2.45% change. The largest increases are seen in the Human Services and Law and Justice operational groups. Human Services is increasing budgeted appropriation by \$20.7 million primarily as a result of increased staffing costs associated with rising retirement rates as well as increased In-Home Supportive Services provider payments. The recommended appropriation by the Human Services operating group is based on the latest information available from the State. The economic downturn has caused significant budget issues for the State and could result in future cuts to funding of social service programs. Until such time that the State makes changes to its current budget plan, it has been deemed necessary to plan for the maximum possible available funding in order to effectively take advantage of potential funding increases. Plans for significant expenditures, whether for staff, services, supplies, equipment, or services to clients will be monitored closely until such time that future changes to the State budget are known.

Law and Justice is increasing appropriation by a net \$33.2 million primarily related to both increased staffing costs associated with retirement rate increases as well as to accommodate for the realignment of responsibility for specific State prisoners and parolees from the State to the County (AB 109). The largest increase in appropriation is seen in the Sheriff/Coroner/Public Administrator (\$22.3 million), which is seeing retirement increases associated with rate changes of approximately \$11.5 million. The Department also added 38 positions (\$4.2 million) and added appropriation for alternative housing costs (\$2.0 million) and enhanced medical services (\$1.5 million) at its Detention facilities to assist the Department in dealing with the realignment of State prisoners. The Probation Department is also increasing its appropriation by a net \$6.2 million primarily due to an additional amount for the full year cost of implementing the public safety realignment.

Significant reductions are seen in Capital Facilities Leases (\$3.2 million) as well as Contingencies (\$5.8 million). The County is recognizing ongoing savings in the Capital Facilities Leases budget unit totaling \$0.9 million achieved through the optional pre-payment of a portion of the County outstanding principal in 2011-12 as well as through the refinancing of the 2001-02 West Valley Detention Center certificates of participation. Additionally, this unit is decreasing \$2.3 million related to the reduction of the one-time expenditure in 2011-12 referenced above to prepay the County outstanding principal. The reduction in Contingencies represents the net change from the 2011-12 Modified Budget to the 2012-13 Recommended Budget in unallocated funding that is available. This is a result of the need to fund many one-time projects throughout the County that have not been addressed in prior years. Such projects include \$5.9 million for construction of a storm drain in the community of Rimforest, \$5.0 million in pavement improvement expenditures for unincorporated communities, and \$4.0 million for improvements at Lake Gregory Dam.

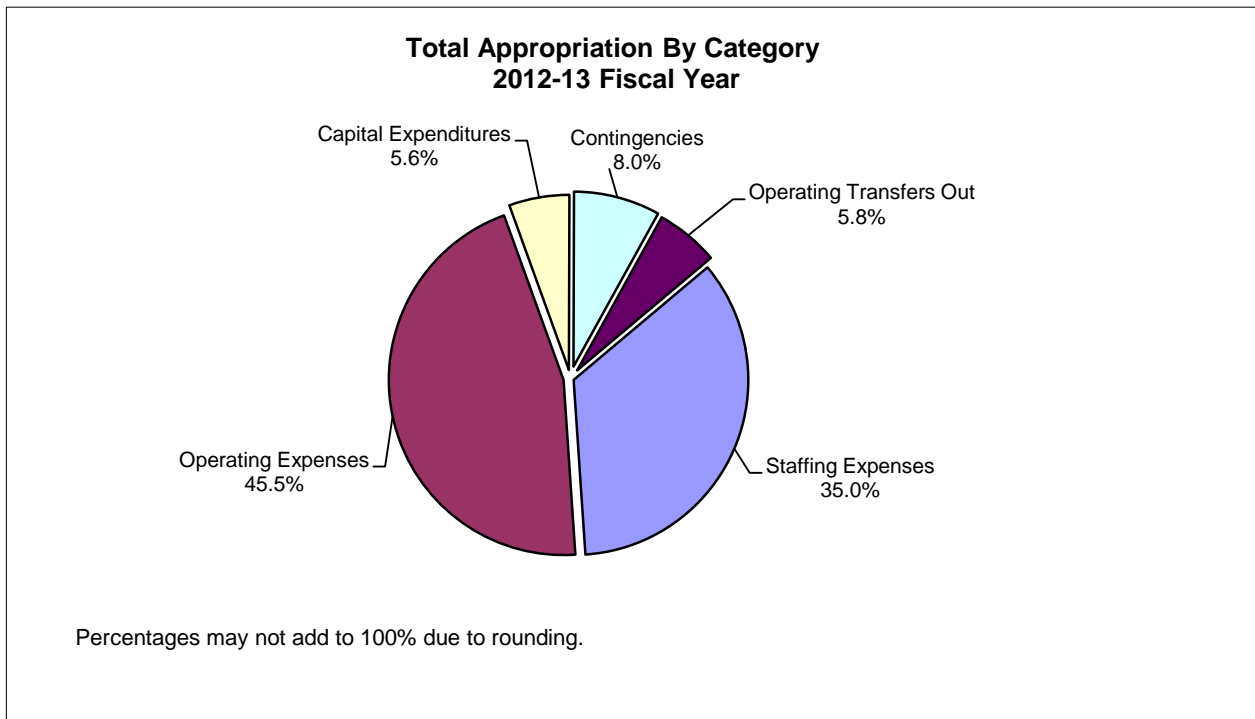
### **Other County Funds**

The total net reduction in appropriation for other County funds is \$29.9 million, which is a 1.66% net change. Notable changes include a net \$40.3 million reduction in appropriation for **Special Revenue Funds** partially offset by a net \$13.9 million increase in **Internal Service Funds**. Special Revenue Funds that are seeing significant reductions include Economic Development's Community Development and Housing Department (\$24.6 million) as well as Operation and Community Service's Department of Public Works – Transportation (\$15.8 million). The reduction in appropriation by Community Development and Housing is primarily due to the use of one-time funding in 2011-12 for projects that will be completed in that fiscal year. The Department of Public Works reduction is associated with a reduction in Departmental contingencies. The increase in appropriation for Internal Service Funds is primarily a result of the projections of costly settlements and increased liability claim experience for the Department of Risk Management (\$13.0 million).



**TOTAL APPROPRIATION BY CATEGORY**

	Fiscal Year 2010-11 Final Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2011-12 Modified Budget	Fiscal Year 2012-13 Recommended Budget
<b>Appropriation</b>				
Staffing Expenses	1,419,302,940	1,491,395,717	1,535,001,381	1,602,792,002
Operating Expenses	1,792,009,603	1,955,539,548	1,994,008,485	2,083,367,525
Capital Expenditures	275,912,993	322,105,810	329,436,421	255,414,566
Reimbursements	(194,812,962)	(203,895,082)	(217,059,502)	(251,138,053)
Contingencies	522,887,720	416,885,182	390,258,341	366,160,886
Subtotal	3,815,300,294	3,982,031,175	4,031,645,126	4,056,596,926
Operating Transfers Out	274,634,761	235,581,786	266,346,657	267,029,549
Total	4,089,935,055	4,217,612,961	4,297,991,783	4,323,626,475
Budgeted Staffing	19,260	18,631	18,942	19,049



Below is detail of what is included in the County 2012-13 Recommended Budget as well as significant changes from the 2011-12 Modified Budget by appropriation category for all appropriated funds:

**Staffing Expenses** represent 35.0% of total appropriation within the County, for a total of \$1,602,792,002. Departments with significant budgeted staffing expenses includes the Sheriff/Coroner/Public Administrator (\$391.7 million, 3,538 positions), Human Services Administrative Claim (\$298.7 million, 4,208 positions), and Arrowhead Regional Medical Center (\$234.4 million, 3,507 positions). Total budgeted salary costs for the County in 2012-13 is \$1.04 billion while costs for benefits make up the remaining \$563.0 million. The largest benefit related cost for the County is for employee pensions (retirement), which makes up 59% (\$333.1 million) of all appropriation associated with employee benefits.



Staffing expenses are increasing by \$67.8 million from the prior year primarily due to increased retirement costs (\$46.8 million). Most of the increased retirement cost in the County is a result of significant market losses to the County pension fund in 2008-09, which the County is required to pay back over several years. This has increased the retirement rate the County is paying on employee's compensation from 20.8% (2011-12) to 23.72% (2012-13) for General employees and from 36.79% (2011-12) to 42.79% (2012-13) for Safety employees.

**Operating Expenses** in the County include costs for services and supplies, internal service fund charges, travel, transfers to other County departments, and other charges. These expenses represent 45.5% of the County appropriation, for a total of \$2,083,367,525. The Human Services operating group makes up almost half of the County operating expenses with a total appropriation of \$949.5 million. Most of Human Services operating expenses include subsistence payments to help County residents in need throughout the County. Services and supplies appropriation accounts for half of the County operating expenses and includes notable costs for professional and specialized services (\$309.8 million), rents and leases (\$100.1 million), and medical expenses at ARMC (\$54.5 million).

Operating expenses are increasing a net \$89.4 million in 2012-13. The County has approximately \$70.0 million in additional operating expenses associated with managing the dissolution of the County's former Redevelopment Agency (RDA) as required by State Assembly Bill X1 26 (Dissolution Act), and is included as part of the Economic Development operational group. Most of the remaining increase is the result of the Sheriff/Coroner/Public Administrator establishing separate budget units for its detentions and contract law enforcement services this fiscal year, resulting in an increase in transfer costs to its main operating unit. These transfers are directly offset by an increase in County reimbursements.

**Capital Expenditures** represent all fixed asset related expenditures with a unit valuation of \$5,000 or more and a useful life of one-year or more. This includes costs related to purchases of land, structures and improvements to structures, equipment, vehicles, lease purchases, and capitalized software. These expenses represent 5.6% of the County appropriation, for a total of \$255,414,566. The Capital Improvement Program (CIP) contains most of the County appropriation in this category of expenditures (\$167.6 million). Besides structures and improvements to structures (\$170.6 million), which is the major budgeted expenditure of the Capital Improvement Program, capitalized software (\$19.8 million) is a large expense due to the recommended development, upgrade, and/or replacement of the County Financial Accounting System in the Automated Systems Development budget unit.

Capital expenditures are decreasing a net \$74.0 million in 2012-13. This is primarily due to a \$57.0 million reduction in the CIP budget related to a lower number of carryover projects from prior years as well as less new projects that the County is entering into this fiscal year.

**Reimbursements** represent the amount received as a payment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a funding source and total \$251,138,053 in 2012-13. As noted above, the Sheriff/Coroner/Public Administrator established separate budget units for its detentions and contract law enforcement services this fiscal year, resulting in increased reimbursements from those budget units to the Sheriff/Coroner/Public Administrator's main operating unit. This is the primary reason for the increase in reimbursements of \$34.1 million in 2012-13.

**Contingencies** of \$366,160,886 represent unallocated funding available from 2012-13 sources that has not been set-aside and any unassigned fund balance estimated to be carried over from 2011-12 for all County funds. The Operations and Community Services group has the largest amount of contingencies (\$166.2 million), which is primarily funding set aside for future projects in the Department of Public Works. Contingencies are also decreasing by \$24.1 million primarily due to decreases in contingencies for the Department of Public Works.

**Operating Transfers Out** of \$267,029,549 is a method of providing funding from one budget unit to another for the implementation of a project or program. The most significant usage of Operating Transfers Out is the Countywide Discretionary budget unit, which transfers discretionary general funding to various budget units outside the General Fund for various programs and projects. For 2012-13, significant projects and programs include funding for the Capital Improvement Program (\$12.0 million ongoing, \$14.6 million one-time), the 800 MHz digital radio system for public safety project (\$20.0 million ongoing), as well as funding for County Fire totaling \$17.5 million.



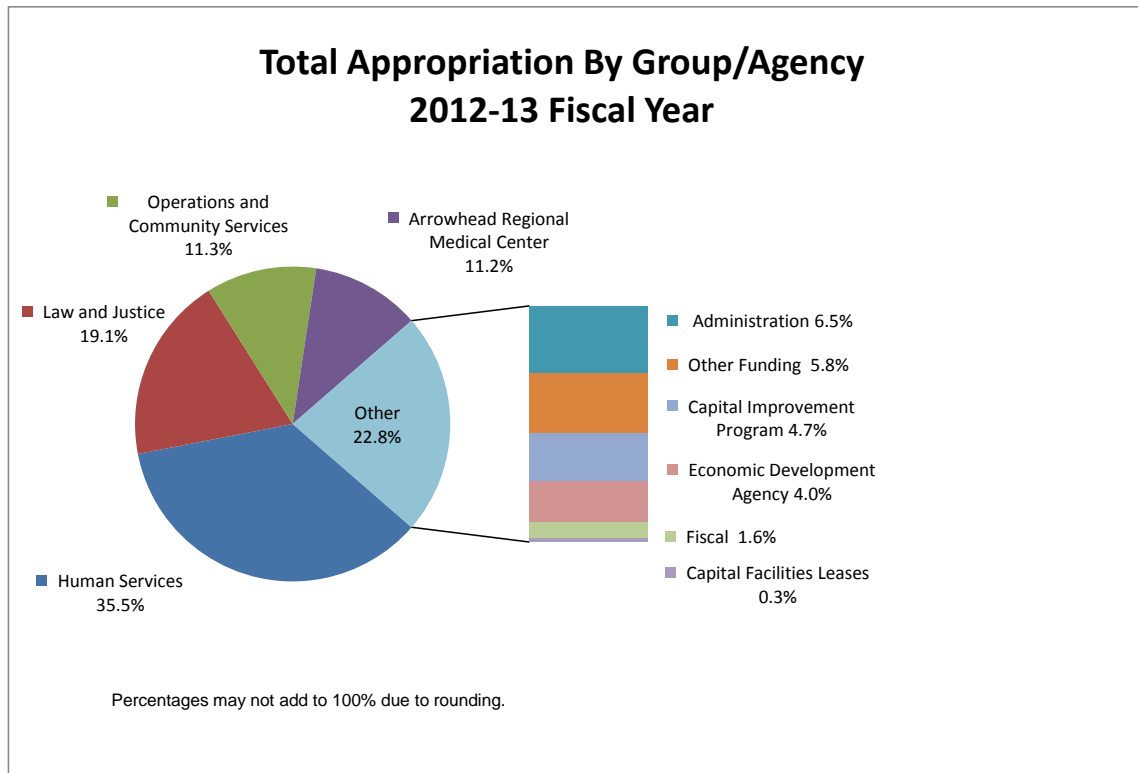


**TOTAL APPROPRIATION BY GROUP/AGENCY**

	Fiscal Year 2010-11 Final Budget	Restated* Fiscal Year 2011-12 Adopted Budget	Restated* Fiscal Year 2011-12 Modified Budget	Fiscal Year 2012-13 Recommended Budget
Administration	215,116,036	239,741,441	265,022,106	280,366,728
Capital Facilities Leases	54,640,359	16,258,391	16,258,391	13,052,882
Economic Development Agency	68,806,594	98,833,178	104,024,821	170,853,858
Fiscal	67,838,728	68,090,565	68,228,065	68,479,013
Arrowhead Regional Medical Center	447,534,276	459,416,270	470,904,812	484,623,725
Human Services	1,451,877,164	1,519,292,111	1,527,425,003	1,536,791,038
Law and Justice	727,962,786	754,660,183	795,160,539	826,448,052
Operations and Community Services	491,919,035	536,408,953	516,585,902	489,903,264
Capital Improvement Program	269,682,461	246,736,656	247,244,617	202,386,706
Other Funding	294,557,616	278,175,213	287,137,527	250,721,209
<b>Total</b>	<b>4,089,935,055</b>	<b>4,217,612,961</b>	<b>4,297,991,783</b>	<b>4,323,626,475</b>
 Budgeted Staffing	 19,260	 18,631	 18,942	 19,049

\* Restatement represents the transfer of the Automated Systems Development Budget unit to Other Funding from Fiscal .

The above chart lists appropriation by group/agency. The Other Funding group includes budget units that are predominately countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, countywide discretionary, the restricted funds of Realignment, Proposition 172, and Automated Systems Development, and some special revenue funds that incur no expenditures and only appropriate transfers and operating transfers out.



### Governmental Fund Types

**General Fund:** The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County primary operating fund and the appropriation is separated into discretionary versus categorical. General Fund – Restricted Funds consists of Proposition 172, Realignment funds, and Automated Systems Development.

**Special Revenue Funds:** Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

**Capital Project and Debt Service Funds:** Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those funded by Enterprise and Internal Service Funds. Debt Service Funds account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

### Proprietary Fund Types

**Enterprise Funds:** Enterprise Funds account for operations that are funded and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be funded or recovered primarily through user charges.

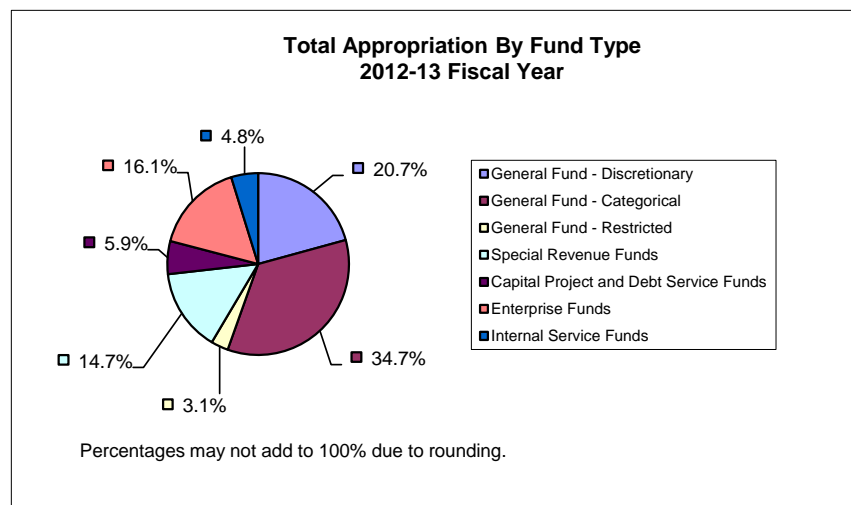
**Internal Service Funds:** Internal Service Funds account for the funding of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

### TOTAL APPROPRIATION BY FUND TYPE

	Fiscal Year 2010-11 Final Budget	Restated Fiscal Year* 2011-12 Adopted Budget	Restated Fiscal Year* 2011-12 Modified Budget	Fiscal Year** 2012-13 Recommended Budget
General Fund - Discretionary	978,584,442	964,690,923	1,002,685,604	896,877,138
General Fund - Categorical	1,323,966,662	1,358,390,035	1,365,387,198	1,500,522,302
General Fund - Restricted	91,248,075	137,776,878	143,776,878	132,897,972
Special Revenue Funds	610,647,183	663,042,061	659,700,799	635,286,088
Capital Project and Debt Service Funds	269,682,461	246,736,656	247,244,617	253,282,981
Enterprise Funds	662,395,259	676,603,396	688,091,938	697,792,763
Internal Service Funds	153,410,973	170,373,012	191,104,749	206,967,231
<b>Total</b>	<b>4,089,935,055</b>	<b>4,217,612,961</b>	<b>4,297,991,783</b>	<b>4,323,626,475</b>
 Budgeted Staffing	 19,260	 18,631	 18,942	 19,049

\* Restatement represents the transfer of the Automated Systems Development Budget unit to Restricted from Discretionary.

\*\* For 2012-13 - total appropriation now includes the County's RDA - Successor Agencies, which is included in Special Revenue Funds and Capital Project and Debt Service Funds.

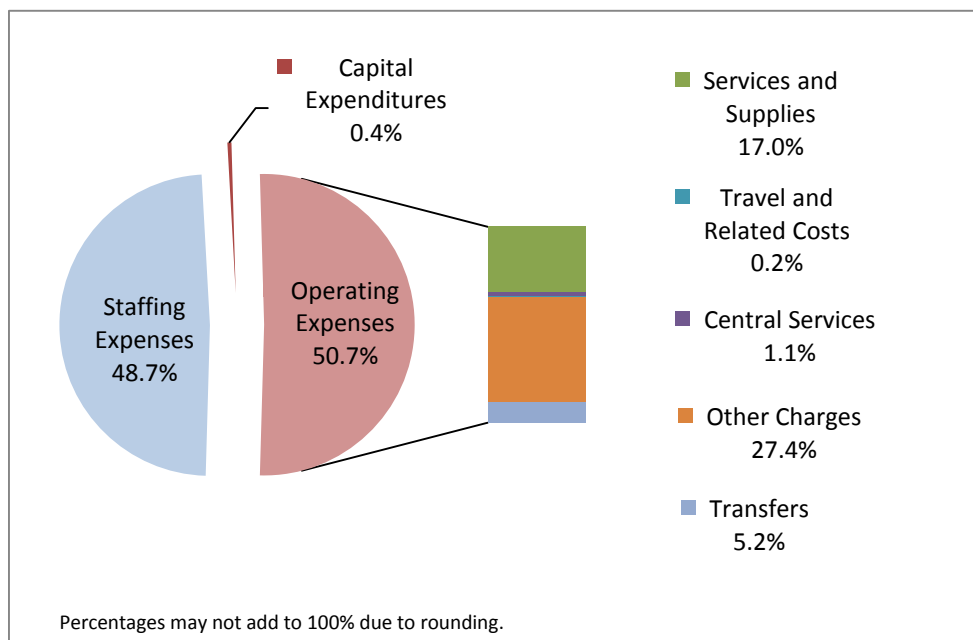


### **GENERAL FUND APPROPRIATION BREAKDOWN**

The appropriation breakdown below represents General Fund – Discretionary and General Fund – Categorical components and does not include General Fund – Restricted, which are the Realignment, Proposition 172 budget, and Automated Systems Development budget units.

The appropriation components included in this pie chart represent spending authority for operations and consist of staffing expenses, operating expenses, and capital expenditures. Operating expenses are further divided into the various subcategories of services and supplies, central services, travel and related costs, other charges, and transfers.

Components not incorporated into this pie chart are operating transfers out, which are a funding mechanism between budget units; reimbursements, which are considered a funding source; and contingencies, as no expenditures can be made from this appropriation.





The matrix below lists the group/agency as depicted in the organizational chart of the county. For each group/agency listed, the various fund types utilized are shown with their appropriation (including Operating Transfers Out).

	General Fund	Special Revenue Funds	Capital Projects & Debt Service Funds	Enterprise Funds	Internal Service Funds
<b>Administration</b>					
Board of Supervisors	7,647,052				
Board Discretionary Funds - Priority Policy Needs	11,081,283				
Clerk of the Board	1,851,963				
County Administrative Office	4,301,016				
County Counsel	8,551,502				
Finance and Administration	2,640,486	15,000			
Human Resources	11,354,349	5,478,951			11,532,836
Fleet Management					30,423,701
Information Services	15,406,101				58,381,831
Purchasing	1,684,799				10,427,786
Risk Management					96,201,077
Local Agency Formation Commission	301,000				
County Schools	3,085,995				
<b>Capital Facilities Leases</b>					
Capital Facilities Leases	13,052,882				
<b>Arrowhead Regional Medical Center</b>					
Arrowhead Regional Medical Center				484,623,725	
<b>Economic Development Agency</b>					
Economic Development	3,045,214				
Community Development and Housing		52,000,681			
Workforce Development		21,620,583			
Housing Successor to the Former Redevelopment Agency		16,872,927	12,722,638		
Successor Agency to the County Redevelopment Agency		26,418,178	38,173,637		
<b>Fiscal</b>					
Assessor/Recorder/County Clerk	21,770,606	9,360,927			
Auditor-Controller/Treasurer/Tax Collector	37,078,261	269,219			
<b>Human Services</b>					
Aging and Adult Services	10,903,183				
Behavioral Health	131,127,574	144,451,119			
Child Support Services	40,156,213				
Health Administration	77,560,645	25,084,177			
Human Services	937,397,264	20,787,746			
Preschool Services		48,365,185			
Public Health	91,174,767	7,932,552			
Veterans Affairs	1,850,613				
<b>Law and Justice</b>					
County Trial Courts	40,747,178	3,612,013			
District Attorney	63,129,854	9,642,856			
Law and Justice Group Administration	101,300	4,664,575			
Probation	139,379,794	13,770,594			
Public Defender	34,386,987				
Sheriff/Coroner/Public Administrator	477,312,627	39,700,274			
<b>Operations and Community Services</b>					
Agriculture/Weights and Measures	6,699,811	141,506			
Airports	2,799,545	6,784,727			
Architecture and Engineering	0				
County Library		13,934,855			
County Museum	3,458,127			79,407	
Land Use Services	19,356,859				
Public Works	3,808,406	142,260,558		212,990,533	
Real Estate Services	37,257,338	9,324,601			
Regional Parks	10,610,675	11,450,263		99,098	
Registrar of Voters	8,834,337				
Fish and Game Commission		12,618			
<b>Capital Improvement Program</b>					
Capital Improvement Program			202,386,706		
<b>Other Funding</b>					
All Other Funding (e.g. Countywide Discretionary, Prop 172, Realignment)	249,391,806	1,329,403			
<b>Grand Total:</b>	<b>2,530,297,412</b>	<b>635,286,088</b>	<b>253,282,981</b>	<b>697,792,763</b>	<b>206,967,231</b>



**REVENUE SUMMARY**

The 2012-13 Recommended Budget is funded from a variety of sources (revenue, operating transfers in, fund balance, and reserves). This schedule does not include fund balance carried over from the prior year or the use of reserves. It also does not include operating transfers in as they are a mechanism for providing funding from one budget unit to another within the county. This schedule shows the change from the prior year modified budget.

	2010-11 Actual	2011-12 Adopted	2011-12 Modified Budget	2012-13 Recommended Budget	Change Between 2011-12 Modified & 2012-13	Percentage Change
<b>REVENUE FOR ALL COUNTY FUNDS</b>						
Taxes						
Property Related Revenue	435,838,634	437,966,141	436,152,694	432,797,066	(3,355,628)	(0.77%)
Other Taxes	139,354,561	137,331,729	139,331,729	153,927,860	14,596,131	10.48%
Realignment	148,526,443	160,534,540	166,121,346	172,350,945	6,229,599	3.75%
State, Federal or Government Aid	1,310,869,116	1,414,349,199	1,435,906,450	1,437,175,787	1,269,337	0.09%
Fee/Rate	359,121,644	443,766,012	443,329,901	402,386,161	(40,943,740)	(9.24%)
Other Revenue	71,119,459	93,755,293	93,034,610	104,499,161	11,464,551	12.32%
<b>Subtotal</b>	<b>2,464,829,857</b>	<b>2,687,702,914</b>	<b>2,713,876,730</b>	<b>2,703,136,980</b>	<b>(10,739,750)</b>	<b>(0.40%)</b>
ENTERPRISE FUNDS	481,085,025	481,534,949	492,278,045	505,701,901	13,423,856	2.73%
INTERNAL SERVICE FUNDS	142,461,751	145,157,611	165,889,348	164,321,212	(1,568,136)	(0.95%)
<b>Subtotal</b>	<b>623,546,776</b>	<b>626,692,560</b>	<b>658,167,393</b>	<b>670,023,113</b>	<b>11,855,720</b>	<b>1.80%</b>
<b>Total County Budget</b>	<b>3,088,376,633</b>	<b>3,314,395,474</b>	<b>3,372,044,123</b>	<b>3,373,160,093</b>	<b>1,115,970</b>	<b>0.03%</b>

**Property Related Revenue**

Property related revenue of \$432,797,066 primarily consists of funding from property taxes and is projected to decrease by \$3.4 million or 0.77% from the 2011-12 modified budget. This is the result of a projected 1.0% decline in the assessed valuation of properties within the County. This is the fourth consecutive year of assessed valuation decline. For more detail refer to the paragraph titled 'Property Related Revenue' found in the Discretionary General Funding section of the 2012-13 Recommended Budget, Executive Summary book.

**Other Taxes**

Other taxes of \$153,927,860 primarily consist of Proposition 172 Half-Cent Sales Tax as well as the County's portion of sales tax and are increasing by a net \$14.6 million over the prior year modified budget. This is due to Proposition 172 Half-Cent Sales Tax projected to increase by \$15.6 million in 2012-13 as compared to the 2011-12 modified budget amounts.

**Realignment**

Realignment revenues of \$172,350,945 are increasing over the prior year modified budget. This amount does not include Realignment funds allocated to Arrowhead Regional Medical Center of \$37,370,000, as this amount is included as part of Enterprise Funds. For more detail refer to the Discretionary General Funding section of the 2012-13 Recommended Budget, Executive Summary book.

**State, Federal or Government Aid**

The County receives funding from State, Federal, and Other Government Aid totaling \$1,437,175,787. The Human Services operational group receives the largest amount of funds from other governments, with \$539.5 million from the State and \$560.3 million from the Federal Government. There is an overall increase of \$1.3 million from the prior year modified budget in the revenue category of state, federal or government aid. This increase is comprised of both increases and decreases in various programs.



Primary increases in State, Federal or Government Aid include:

- The **Law and Justice** operational group increased \$52.6 million over the prior year modified budget primarily related to the realignment of State prisoners and parolees to supervision by the County and subsequent funding from the State for these purposes.
- **Human Services** operational group increased slightly by a net \$3.6 million primarily due to additional anticipated Medi-Cal funding for the Transitional Assistance Department.

Significant decreases in State, Federal or Government Aid include:

- **Community Development and Housing** decreased a net \$22.8 million primarily as a result of less funding available from the federal grant system.
- The **Capital Improvement Program** budget is decreasing by \$32.0 million primarily related to the near completion of the Adelanto Detention Center Expansion Project, which is partially funded utilizing State AB 900 funds.

### Fee/Rate

The revenue category of fee/rate includes the following types of revenues: licenses, permits, fines, fees, rates, and other services. Total revenue of \$402,386,161 is anticipated to decrease from the 2011-12 modified budget by \$40.9 million.

The following provides the most significant decreases in this revenue category.

- **Countywide Discretionary** is decreasing by \$4.6 million as a result of decreased charges as part of the Countywide Cost Allocation Plan (COWCAP) billed to general fund departments.
- **Public Works – Transportation – Road Operations** is decreasing current service revenues in 2012-13 by a net \$18.4 million over the prior year modified budget. This is primarily a result of a decrease in revenue from the former County Redevelopment Agency.
- The **Sheriff/Coroner/Public Administrator** has a net \$19.1 million decrease showing in current services due to a change in the categorization of Court Security law enforcement services from a current service to State funding (AB 109 funding).

### Other Revenue

Other revenue of \$104,499,161 includes interest earnings, rents and concessions, and tobacco settlement funds. This revenue source is anticipated to increase by a net \$11.5 million over the prior year modified budget.

The increase in this category includes an additional \$10.4 million in revenue from the Redevelopment Property Tax Trust Fund, as established by Assembly Bill X1 26. These funds are to be used to assist the County in managing the dissolution of the County's former Redevelopment Agency (RDA) as required by the State.

### Enterprise Funds

Enterprise Funds revenue totaling \$505,701,901 is increasing by \$13.4 million. Detail on significant budgeted revenue for Enterprise Funds is detailed below:

**Arrowhead Regional Medical Center (ARMC)** revenue of \$429.2 million include state and federal funding primarily from Medicare and Medi-Cal, current service change from private pay patients and insurance, and other revenue from cafeteria sales, interest, and miscellaneous grants. ARMC revenue is expected to increase by a net \$14.4 million. This overall increase is primarily attributable to additional managed care revenue and higher Medi-Cal reimbursements due to increased volume.



**Public Works – Solid Waste Management** revenue of \$57.6 million primarily includes landfill gate fees, royalty agreements, land leases, and interest earned on fund balance. There is a slight decrease in revenue totaling \$0.9 million based on a reduction in gate fees based on a continuing drop in tons.

### **Internal Service Funds**

Internal Service Funds totaling \$164,321,212 are decreasing by \$1.6 million. These funds charge other County departments for specific services. Notable changes in revenue are detailed below:

The internal service fund budget units that comprise **Risk Management's** insurance program decreased revenues by \$5.6 million. This decrease is a result of diminishing interest earnings as well as a decrease in prior excess insurance reimbursements.

**Information Services – Telecommunications Services** increased revenues by \$3.5 million primarily as a result of 800 MHz radio access revenue now being received directly from internal County departments instead of from the General Fund as an Operating Transfer in.



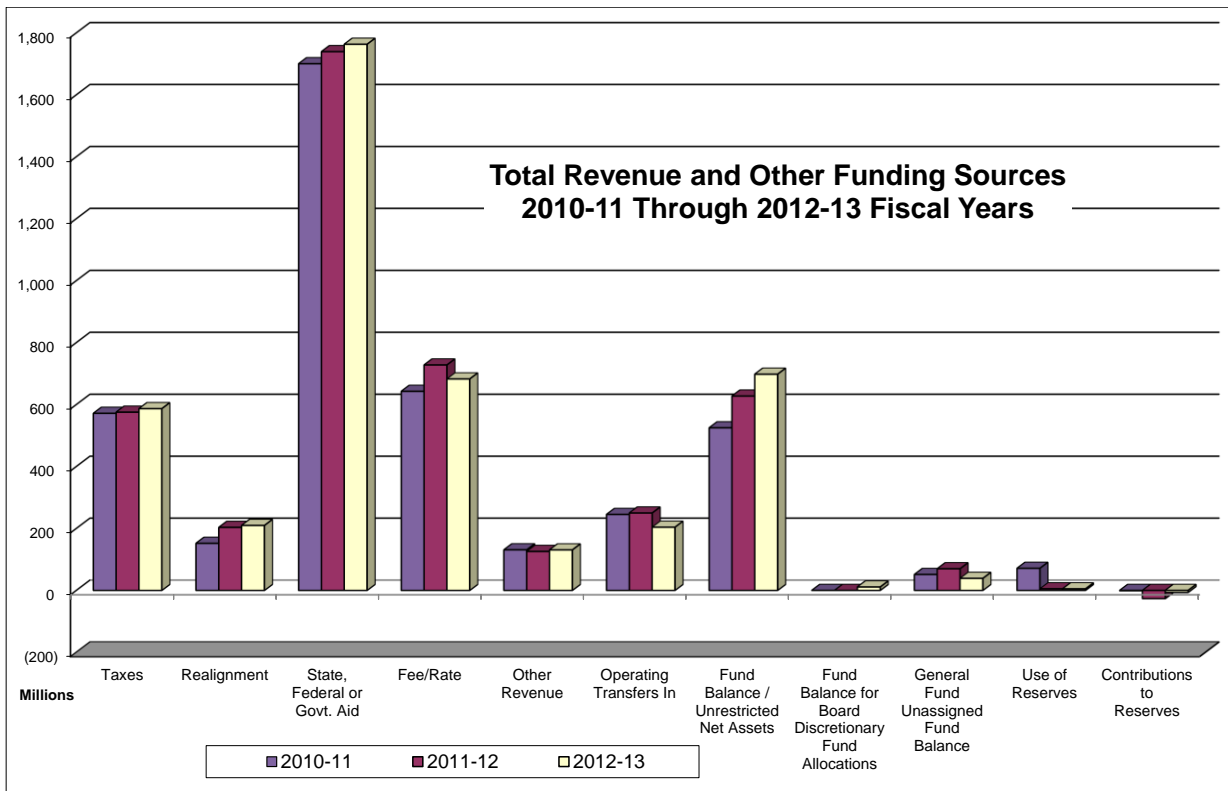


**TOTAL REVENUE AND OTHER FUNDING SOURCES**

	Restated Fiscal Year 2010-11 Final Budget	Restated Fiscal Year 2011-12 Adopted Budget	Restated Fiscal Year 2011-12 Modified Budget	Fiscal Year 2012-13 Recommended Budget
<b><u>Revenue</u></b>				
Taxes	571,745,866	575,277,685	575,464,238	586,759,926
Realignment	152,027,441	197,904,540	203,491,346	209,720,945
State, Federal or Government Aid	1,700,393,572	1,707,974,809	1,739,417,137	1,763,243,612
Fee/Rate	642,733,960	723,945,231	727,850,862	682,676,712
Other Revenue	131,037,340	109,293,209	125,820,540	130,758,898
<b>Total Revenue</b>	<b>3,197,938,179</b>	<b>3,314,395,474</b>	<b>3,372,044,123</b>	<b>3,373,160,093</b>
<b><u>Other Funding Sources</u></b>				
Operating Transfers In	245,271,842	222,344,041	249,915,897	204,052,456
Fund Balance/Unrestricted Net Assets	524,891,887	632,597,693	627,401,797	698,043,660
Fund Balance for Board Discretionary Fund Allocations	0	0	0	11,081,283
General Fund Unassigned Fund Balance	51,474,803	69,913,117	69,913,117	38,883,880
Use of Reserves	71,358,344	4,864,427	5,218,640	5,000,000
Contributions to Reserves	(1,000,000)	(26,501,791)	(26,501,791)	(6,594,897)
<b>Total Other Funding Sources</b>	<b>891,996,876</b>	<b>903,217,487</b>	<b>925,947,660</b>	<b>950,466,382</b>
<b>Total Revenue and Other Funding Sources</b>	<b>4,089,935,055</b>	<b>4,217,612,961</b>	<b>4,297,991,783</b>	<b>4,323,626,475</b>

\* Restatement represents the transfer of Arrowhead Regional Medical Center State and Federal Aid funds to be properly categorized as Realignment.

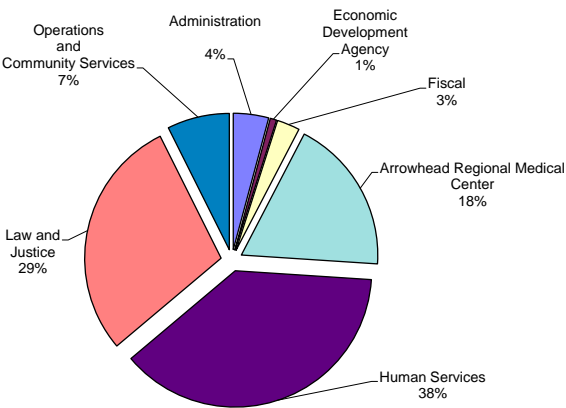
The revenue and other funding sources schedule above includes all County funds. This schedule includes operating transfers in, which are the mechanism for providing funding from one budget unit to another within the County. Additionally, this schedule summary provides the fund balance/unrestricted net assets for all non-general funds, the general fund's unassigned fund balance, as well as, the use of, and the contributions to the County reserves as committed in the strategic plan.



**BUDGETED STAFFING SUMMARY**

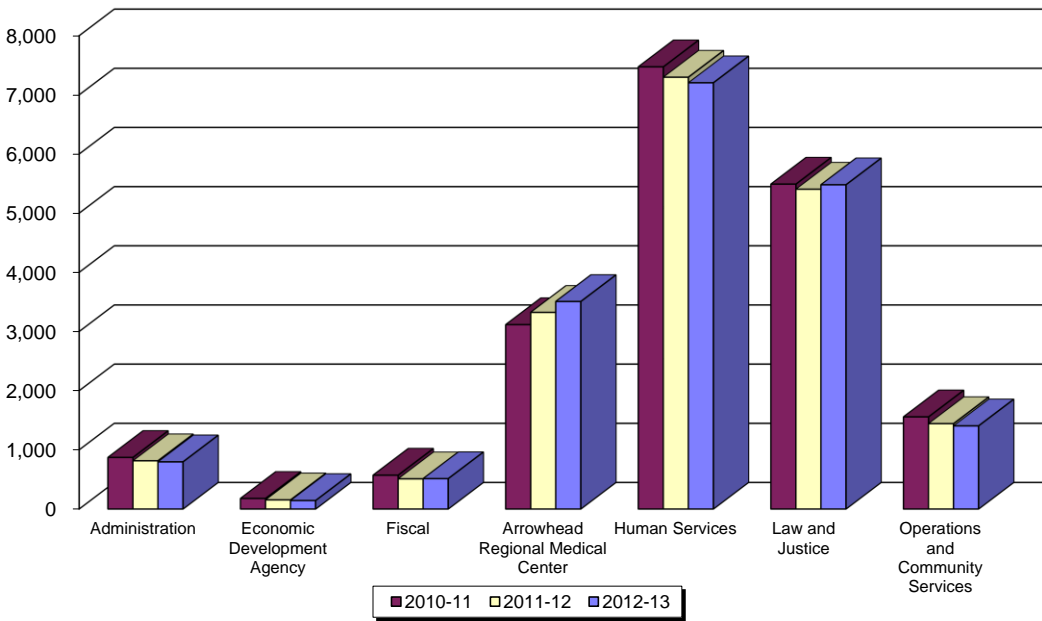
Budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. The pie chart below depicts the budgeted staffing by group/agency for the current fiscal year. The following bar graph illustrates the budgeted staffing for the current fiscal year as well as the prior two fiscal years.

**Budgeted Staffing By Group / Agency  
2012-13 Fiscal Year**



Percentages may not add to 100% due to rounding.

**Budgeted Staffing By Group / Agency  
2010-11 Through 2012-13 Fiscal Years**



	Change from Modified Budget				2012-13 Recommended Budget Staffing	Percentage Change
	2011-12 Modified Budget Staffing	Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
General Fund	13,165	19	9	28	13,193	0.2%
Other Funds	5,777	79	-	79	5,856	1.4%
Total	18,942	98	9	107	19,049	

Budgeted staffing for caseload driven/grant, or special funded programs, increased overall by a net 98 positions. Significant changes from the previous year's final budgeted staffing in caseload driven, grant or special funded programs include the following:

### General Fund

- **Behavioral Health** increased budgeted staffing by 18 positions. This is primarily the result of the addition of 20 positions as a result of the new AB 109 Public Safety.
- **Public Health** decreased budgeted staffing by a net 31 positions. This decrease is the result of the deletion of 63 positions. These deletions were offset by several new positions, including additional medical professional positions and support staff that will be utilized in outlying clinics assisting with an increase in community outreach and primary care services.
- **Human Services Administrative Claim** had a net decrease of 13 budgeted positions. The net deletions were the result of funding for programs staying relatively flat from the previous year while staffing costs have continued to rise.
- **District Attorney – Criminal Prosecution** increased 9 budgeted positions in the caseload driven, grant or special funded programs category as follows: 1 Deputy District Attorney for the Let's End Truancy (LET) Program funded through AB 1913; 4 extra-help investigator positions to assist with the backlog of real estate fraud cases; and 4 Victim Advocate positions, funded through AB 109, to help provide crime victims with access to comprehensive and quality service.
- **Probation – Administration, Corrections and Detention** has seen a net increase of 5 budgeted positions in the caseload driven, grant or special funded programs category. The department is adding 12 new Office Assistant III positions to help fulfill the clerical work demands associated with implementing AB 109 Public Safety Realignment. An extra-help Correctional Nurse-Per Diem positions is also being added to assist with the health needs at the juvenile detention and assessment centers. The additions within the department are being offset by the deletion of 8 extra-help/recurrent Probation Corrections Officer positions that have been vacant for more than one year.
- **Sheriff/Coroner/Public Administrator** increased 38 budgeted positions in this category resulting from additional AB 109 funding anticipated for 2012-13 as part of Public Safety Realignment. These positions are needed to manage the "low level" offenders now being ordered to serve their sentence in county facilities rather than the state prison system. The additional staffing will help ensure the overall safety of employees and inmates of the county's jail system.

### Other Funds

- **Information Services Department's** internal service funds (Computer Operations and Telecommunications Services) are decreasing by a net 14 budgeted positions. A net 9 positions (7 filled) are being deleted in the Computer Operations Division primarily due to budget constraints. A net 5 vacant positions are being deleted in the Telecommunication Services Division, as these positions are no longer required by the Department.



- **Community Development and Housing** – decreased by a net 10 budgeted positions. Notable changes for the department included the deletion of 14 positions as a result of the decrease in federal funding for departmental programs. This reduction in staff resulted in major restructuring and consolidation of functions within the Department. These deletions were partially offset by the addition of 3 positions that were transferred from the County's dissolved Redevelopment Agency as well as one extra help position that will assist in winding down programs that have been eliminated.
- **Arrowhead Regional Medical Center (ARMC)** had a net increase of 184 budgeted positions. 21 of the additional positions reflect ARMC's participation in the Low Income Health Program and a Delivery System Reform Incentive Plan. Additionally, 27 positions were added for a new observation unit, 89 positions were added for two new nursing units, and 45 positions were added in Nursing Administration. A net 2 positions were added to other divisions. While the number of positions has increased significantly, many of the positions are part-time positions that will allow ARMC to meet required staffing ratios in addition to scheduling flexibility.
- **Preschool Services** decreased a net 41 budgeted positions. 26 budgeted positions were reduced primarily due to the elimination of the County's Save the Children contract that was no longer needed by the department. Furthermore, the closure of the Copper Mountain and North Redlands Head Start sites resulted in a decrease of 15 positions.

Budgeted staffing for all other programs increased a net 9 positions. Significant changes from the previous year's modified budgeted staffing in all other programs include the following:

#### **General Fund**

- **Sheriff/Coroner/Public Administrator** increased budgeted staffing by restoring 35 Sheriff Trainee positions. This will eliminate the need for underfilling certain budgeted Deputy Sheriff positions while new recruits are receiving training at the Sheriff's Academy. The addition of these Trainee positions will not result in additional costs for the Department. The Department is also deleting two extra-help vacant that are no longer needed.
- **Regional Parks** reduced budgeted staffing by a net 19 positions due to projected budgetary constraints. A reorganization plan includes the reduction of 21 vacant budgeted positions, offset by the addition of 2 new positions. Under this continued reorganization of the department, some of the related duties/responsibilities of positions will be streamlined and spread amongst existing regular staff, and other responsibilities will be addressed by assigning the workload to part-time General Service Worker II positions.

Countywide staffing changes are outlined by County department in the following chart:



## BUDGETED STAFFING SUMMARY

Department	2010-11 Final Budget	2011-12 Modified Budget	2012-13 Recommended Budget	Change Between 2011-12 & 2012-13
<b>ADMINISTRATION</b>				
<b><u>GENERAL FUND</u></b>				
BOARD OF SUPERVISORS	57	45	44	(1)
CLERK OF THE BOARD	17	13	13	-
COUNTY ADMINISTRATIVE OFFICE	30	16	16	-
COUNTY COUNSEL	94	91	88	(3)
FINANCE AND ADMINISTRATION	-	14	14	-
HUMAN RESOURCES	81	73	73	-
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH AND WELLNESS	11	11	11	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	97	91	94	3
PURCHASING	16	15	17	2
<b>SUBTOTAL GENERAL FUND</b>	<b>403</b>	<b>369</b>	<b>370</b>	<b>1</b>
<b><u>OTHER FUNDS</u></b>				
FLEET MANAGEMENT - GARAGE	85	82	82	-
FLEET MANAGEMENT - MOTOR POOL	4	3	3	-
HUMAN RESOURCES - COMMUTER SERVICES	3	3	3	-
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	30	28	28	-
INFORMATION SERVICES - COMPUTER OPERATIONS	133	130	121	(9)
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	101	97	92	(5)
PURCHASING - PRINTING SERVICES	18	15	14	(1)
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	2	2	2	-
PURCHASING - MAIL/COURIER SERVICES	28	25	25	-
RISK MANAGEMENT - OPERATIONS	65	61	57	(4)
<b>SUBTOTAL OTHER FUNDS</b>	<b>469</b>	<b>446</b>	<b>427</b>	<b>(19)</b>
<b>TOTAL ADMINISTRATION</b>	<b>872</b>	<b>815</b>	<b>797</b>	<b>(18)</b>
<b>ECONOMIC DEVELOPMENT AGENCY</b>				
<b><u>GENERAL FUND</u></b>				
ECONOMIC DEVELOPMENT	19	15	14	(1)
<b><u>OTHER FUNDS</u></b>				
COMMUNITY DEVELOPMENT AND HOUSING	26	25	15	(10)
WORKFORCE DEVELOPMENT	134	114	114	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>160</b>	<b>139</b>	<b>129</b>	<b>(10)</b>
<b>TOTAL ECONOMIC DEVELOPMENT AGENCY</b>	<b>179</b>	<b>154</b>	<b>143</b>	<b>(11)</b>
<b>FISCAL</b>				
<b><u>GENERAL FUND</u></b>				
ASSESSOR/RECORDER/COUNTY CLERK	238	215	216	1
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	330	291	285	(6)
<b>SUBTOTAL GENERAL FUND</b>	<b>568</b>	<b>506</b>	<b>501</b>	<b>(5)</b>
<b><u>OTHER FUNDS</u></b>				
ASSESSOR/RECORDER/COUNTY CLERK - SYSTEMS DEVELOPMENT	-	-	8	8
ASSESSOR/RECORDER/COUNTY CLERK - RECORDER RECORDS	4	4	4	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>4</b>	<b>4</b>	<b>12</b>	<b>8</b>
<b>TOTAL FISCAL</b>	<b>572</b>	<b>510</b>	<b>513</b>	<b>3</b>



## BUDGETED STAFFING SUMMARY

Department	2010-11 Final Budget	2011-12 Modified Budget	2012-13 Recommended Budget	Change Between 2011-12 & 2012-13
<b>ARROWHEAD REGIONAL MEDICAL CENTER</b>				
<b><u>OTHER FUNDS</u></b>				
ARROWHEAD REGIONAL MEDICAL CENTER	3,116	3,323	3,507	184
<b>TOTAL ARROWHEAD REGIONAL MEDICAL CENTER</b>	<b>3,116</b>	<b>3,323</b>	<b>3,507</b>	<b>184</b>
<b>HUMAN SERVICES</b>				
<b><u>GENERAL FUND</u></b>				
AGING AND ADULT SERVICES - AGING PROGRAMS	48	48	47	(1)
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	22	18	19	1
CHILD SUPPORT SERVICES	436	435	435	-
HEALTH ADMINISTRATION	2	1	2	1
BEHAVIORAL HEALTH	529	507	525	18
PUBLIC HEALTH	774	759	728	(31)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	156	159	161	2
HUMAN SERVICES - ADMINISTRATIVE CLAIM	4,345	4,221	4,208	(13)
VETERANS AFFAIRS	19	18	18	-
<b>SUBTOTAL GENERAL FUND</b>	<b>6,331</b>	<b>6,166</b>	<b>6,143</b>	<b>(23)</b>
<b><u>OTHER FUNDS</u></b>				
HUMAN SERVICES - WRAPAROUND REINVESTMENT FUND	27	28	6	(22)
BEHAVIORAL HEALTH - MENTAL HEALTH SERVICE ACT	352	367	364	(3)
PRESCHOOL SERVICES	763	732	691	(41)
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,142</b>	<b>1,127</b>	<b>1,061</b>	<b>(66)</b>
<b>TOTAL HUMAN SERVICES</b>	<b>7,473</b>	<b>7,293</b>	<b>7,204</b>	<b>(89)</b>
<b>LAW AND JUSTICE</b>				
<b><u>GENERAL FUND</u></b>				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	492	469	478	9
LAW AND JUSTICE GROUP ADMINISTRATION	1	1	1	-
PROBATION - ADMINISTRATION, CORRECTIONS & DETENTION	1,112	1,190	1,195	5
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	27	32	32	-
PUBLIC DEFENDER	255	246	236	(10)
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	3,514	3,467	1,656	(1,811)
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - CONTRACTS	-	-	580	580
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - DETENTIONS	-	-	1,302	1,302
<b>SUBTOTAL GENERAL FUND</b>	<b>5,401</b>	<b>5,405</b>	<b>5,480</b>	<b>75</b>
<b><u>OTHER FUNDS</u></b>				
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - PUBLIC GATHERINGS	90	-	-	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LAW AND JUSTICE</b>	<b>5,491</b>	<b>5,405</b>	<b>5,480</b>	<b>75</b>



## BUDGETED STAFFING SUMMARY

Department	2010-11 Final Budget	2011-12 Modified Budget	2012-13 Recommended Budget	Change Between 2011-12 & 2012-13
<b>OPERATIONS AND COMMUNITY SERVICES</b>				
<b><u>GENERAL FUND</u></b>				
AGRICULTURE/WEIGHTS AND MEASURES	70	61	63	2
AIRPORTS	28	24	19	(5)
ARCHITECTURE AND ENGINEERING	15	16	17	1
COUNTY MUSEUM	44	30	30	-
LAND USE SERVICES - ADMINISTRATION	21	27	31	4
LAND USE SERVICES - PLANNING	18	20	20	-
LAND USE SERVICES - BUILDING AND SAFETY	15	22	21	(1)
LAND USE SERVICES - CODE ENFORCEMENT	35	31	26	(5)
LAND USE SERVICES - FIRE HAZARD ABATEMENT	11	9	15	6
PUBLIC WORKS - SURVEYOR	35	34	29	(5)
REAL ESTATE SERVICES	22	22	23	1
RES - FACILITIES MANAGEMENT DIVISION	116	103	105	2
RES - UTILITIES	1	2	2	-
REGIONAL PARKS	289	279	260	(19)
REGISTRAR OF VOTERS	28	24	24	-
SUBTOTAL GENERAL FUND	748	704	685	(19)
<b><u>OTHER FUNDS</u></b>				
COUNTY LIBRARY	324	281	279	(2)
COUNTY MUSEUM - MUSEUM STORE	3	1	1	-
PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS	382	364	355	(9)
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	88	84	80	(4)
REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS	2	2	-	(2)
REGIONAL PARKS - SNACK BARS	2	1	1	-
REGIONAL PARKS - ACTIVE OUTDOORS	8	5	4	(1)
SUBTOTAL OTHER FUNDS	809	738	720	(18)
<b>TOTAL OPERATIONS AND COMMUNITY SERVICES</b>	<b>1,557</b>	<b>1,442</b>	<b>1,405</b>	<b>(37)</b>
<b>TOTAL COUNTY DEPARTMENTS - GENERAL FUND</b>	<b>13,470</b>	<b>13,165</b>	<b>13,193</b>	<b>28</b>
<b>TOTAL COUNTY DEPARTMENTS - OTHER FUNDS</b>	<b>5,790</b>	<b>5,777</b>	<b>5,856</b>	<b>79</b>
<b>COUNTY DEPARTMENTS GRAND TOTAL</b>	<b>19,260</b>	<b>18,942</b>	<b>19,049</b>	<b>107</b>



**CAPITAL IMPROVEMENT PROGRAM**

The County Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The capital project funds listed in the appropriation summary schedules in this County Budget Summary and presented in the schedule below represent those managed by the Architecture and Engineering Department and accounted for in the following funds: CJP, CJV, and CJY. These schedules do not include operating transfers out.

	Nbr of Projects	Discretionary General Funding	Other Discretionary Funding	Restricted Funding	Total
<b><u>New Projects</u></b>					
<b>Fund CJP</b>					
Contributions to Other Agencies	1	2,600,000	-	-	2,600,000
Contributions to Non-Owned Projects	2	-	180,000	-	180,000
Improvements to Land	9	3,340,000	780,000	265,640	4,385,640
Structures and Improvements	45	40,556,000	769,717	591,336	41,917,053
<i>Total CJP New Projects</i>	57	46,496,000	1,729,717	856,976	49,082,693
<b>Fund CJV</b>					
Improvements to Land	-	-	-	-	-
Structures and Improvements	1	104,000	-	-	104,000
<i>Total CJV New Projects</i>	1	104,000	-	-	104,000
<i>Total New Projects</i>	58	46,600,000	1,729,717	856,976	49,186,693
<b><u>Carryover Projects</u></b>					
<b>Fund CJP</b>					
Contributions to Other Agencies	1	-	3,882,641	-	3,882,641
Contributions to Non-Owned Projects	4	-	-	116,306	116,306
Improvements to Land	24	4,299,276	1,238,189	1,329,600	6,867,065
Structures and Improvements	113	79,180,157	5,569,972	2,619,745	87,369,874
Equipment	1	-	277,257	-	277,257
Transfers	2	248,725	-	-	248,725
<i>Total CJP Carryover Projects</i>	145	83,728,158	10,968,059	4,065,651	98,761,868
<b>Fund CJV</b>					
Contributions to Other Agencies	1	23,000	-	-	23,000
Contributions to Non-Owned Projects	1	-	-	12,665	12,665
Improvements to Land	1	11,792	-	-	11,792
Structures and Improvements	29	3,947,925	94,040	22,603,795	26,645,760
<i>Total CJV Carryover Projects</i>	32	3,982,717	94,040	22,616,460	26,693,217
<b>Fund CJY</b>					
Contributions to Non-Owned Projects	1	3,058,235	-	-	3,058,235
<i>Total Carryover Projects</i>	178	90,769,110	11,062,099	26,682,111	128,513,320
<b>Total Capital Project Funds</b>	<b>236</b>	<b>137,369,110</b>	<b>12,791,816</b>	<b>27,539,087</b>	<b>177,700,013</b>

Note: The above appropriation excludes operating transfers out.





In the 2012-13 Recommended Budget, \$49,186,698 in new projects are funded, primarily using County discretionary general funding. Major projects include directing the revised annual allocation of \$20.0 million for future space needs to the 800 MHz digital radio system upgrade project; \$10.0 million in additional new discretionary general funding to increase the budget from \$30.0 million to \$40.0 million for the Downtown Building Project to acquire existing buildings, seismically retrofit and modernize certain existing buildings and demolish older facilities; \$2.6 million to amend an existing agreement with the City of Fontana for projects within the unincorporated area; \$1.3 million to provide funding for redesign to expand and remodel the existing Sheriff/Coroner/Public Administrator Crime Lab; and an additional \$0.7 million to increase the budget from \$1.9 to \$2.6 million for the new Needles Fire Station Project. In addition, the base budget for CIP of \$12.0 million includes funding of \$3.5 million for deferred maintenance at various county and Regional Park facilities; \$4.0 million for building system improvements such as generator replacements, elevator modernization, boiler replacements, heating, ventilation and air conditioning upgrades and maintenance, and various energy efficiency projects; \$2.2 million to repair or replace parking lots at various county buildings; \$1.2 million for site infrastructure such as drainage, lighting and demolition; \$1.0 million to repair and/or replace roofs; and \$0.1 million to continue to fund Americans with Disabilities Act (ADA) improvements to improve accessibility for the disabled.

Projects approved in prior years but not yet completed total an additional \$128,513,320. The major carryover projects are the expansion of the Adelanto Detention Center, the Downtown Building Project, 800 MHz Upgrade Project, High Desert Government Center Public Safety Operations Center, and the construction of the Baker Family Learning Center, a multi-use facility for Preschool Services and the County Library in Muscoy.

The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works Solid Waste Management and Transportation Divisions. Additionally, there is one enterprise fund, which is part of the Arrowhead Regional Medical Center (ARMC), used for capital projects of ARMC.

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of the 2012-13 Recommended Budget book.



**DISCRETIONARY GENERAL FUNDING**

County general fund operations are funded with four major types of sources: departmental revenue, Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.

- Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health.
- Proposition 172 revenue is a permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety. Proposition 172 revenue is restricted and is used solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments.
- Realignment revenue provides health and welfare funding. In 1991-92, the state approved the Health and Welfare Realignment Program that involves a shift of program responsibilities from the state to the County. This shift is funded through a corresponding shift of dedicated sales tax and vehicle license fee revenue. Realignment revenue is also restricted and used in funding mental health, social services and health programs within the county.
- Countywide discretionary revenue includes a variety of revenue sources that are not legally designated for a specific purpose or program. The majority of discretionary revenue is property related revenue, primarily property tax. Other revenue sources in this category include: sales and other taxes, net interest earnings, Countywide Cost Allocation Plan (COWCAP) revenue which is a reimbursement for overhead/indirect costs incurred by the general fund, property tax administration revenues, recording fees, other state and federal aid, and other revenue. Additionally, the general fund's unassigned fund balance, use of reserves and operating transfers in, are other funding sources that can be allocated to general fund departments in the same manner as countywide discretionary revenue.

The balance of departmental costs not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue is considered net county cost or discretionary general funding. Net county cost is funded by countywide discretionary revenue, which is primarily property related revenue.

Any countywide discretionary revenue not distributed to departments through their net county cost allocation is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes: 1) to ensure that the County can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County; and 2) to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

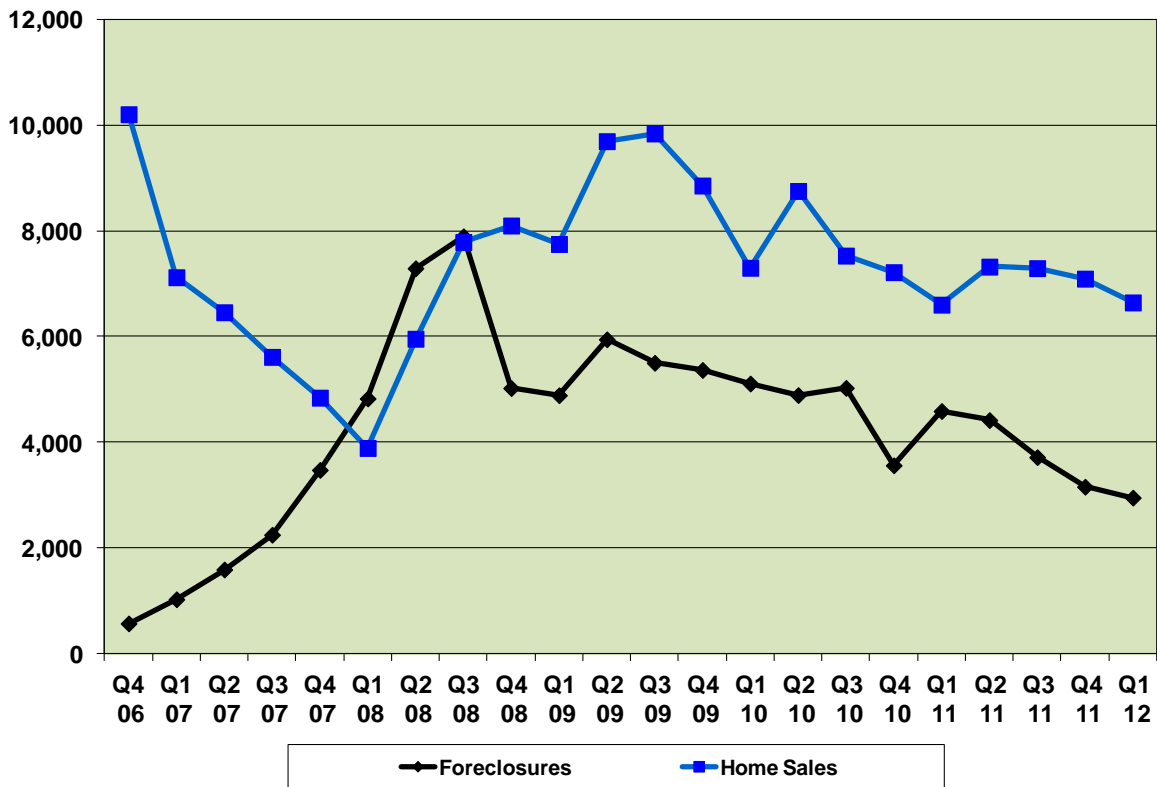
The following sections provide details of the economic indicators that are factored into the County strategic plan and how these indicators affect the discretionary general funding comprised of Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue. Additionally, for 2012-13 there has been detail added in this section on the County Restricted General Fund - Automated Systems Development budget unit. Furthermore, detailed information is included on the contributions and uses of County general fund contingencies and reserves for 2011-12 and the recommended contributions and uses of general fund contingencies and reserves for 2012-13.



**ECONOMIC INDICATORS**

Property related revenue accounts for approximately two-thirds of the County's discretionary revenue. These revenues continue to be severely impacted by the mortgage and financial crisis, which has had a significant effect on the housing market within the County. Home values have plummeted as foreclosures and notices of default have skyrocketed. As shown in the chart below, foreclosures, although currently declining, have at times out-stripped home sales. This has negatively impacted the assessed valuation of properties within the County as homes have been selling at prices lower than their assessed valuations, and by homes that have received downward adjustments to their assessed valuation because the current assessed valuation is above the fair market value of the home.

**COUNTY OF SAN BERNARDINO  
FORECLOSURES/HOME SALES BY QUARTER  
QUARTER 4 2006 THROUGH QUARTER 1 2012**

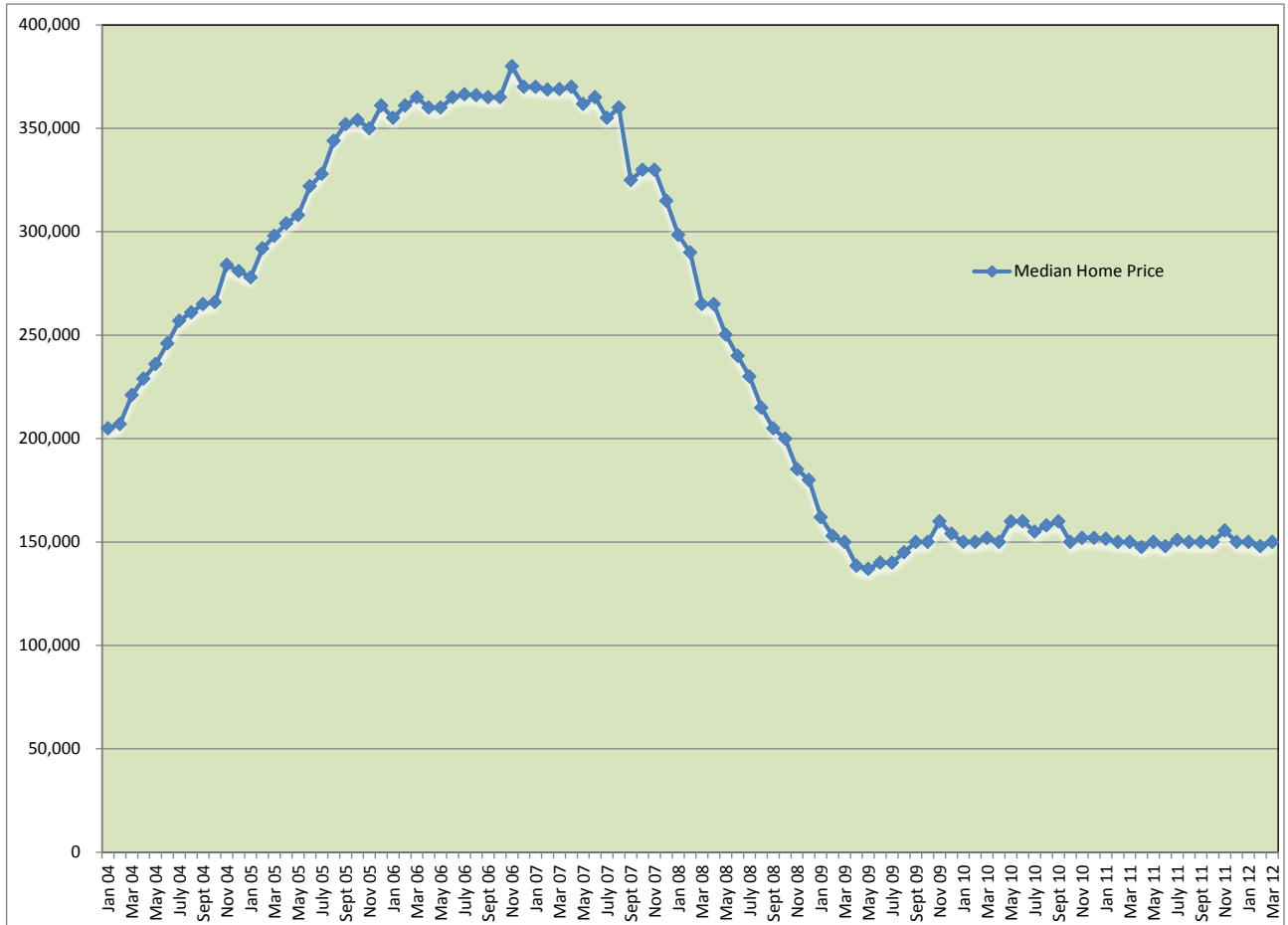


Source: County Assessor and Dataquick



In 2011 foreclosures were down 14.6% from 2010. 2011 Notices of Default were down by 22% from the prior year. As foreclosures and notices of default continue to decline, the County is also seeing stability in the median price of a home. The chart below shows median prices from January 2004 through March 2012. The Median price has been stable, at approximately \$150,000, for the last 31 months. This median price is affordable for 78% of local families.

**COUNTY OF SAN BERNARDINO  
MEDIAN HOME PRICE BY MONTH  
JANUARY 2004 THROUGH MARCH 2012**



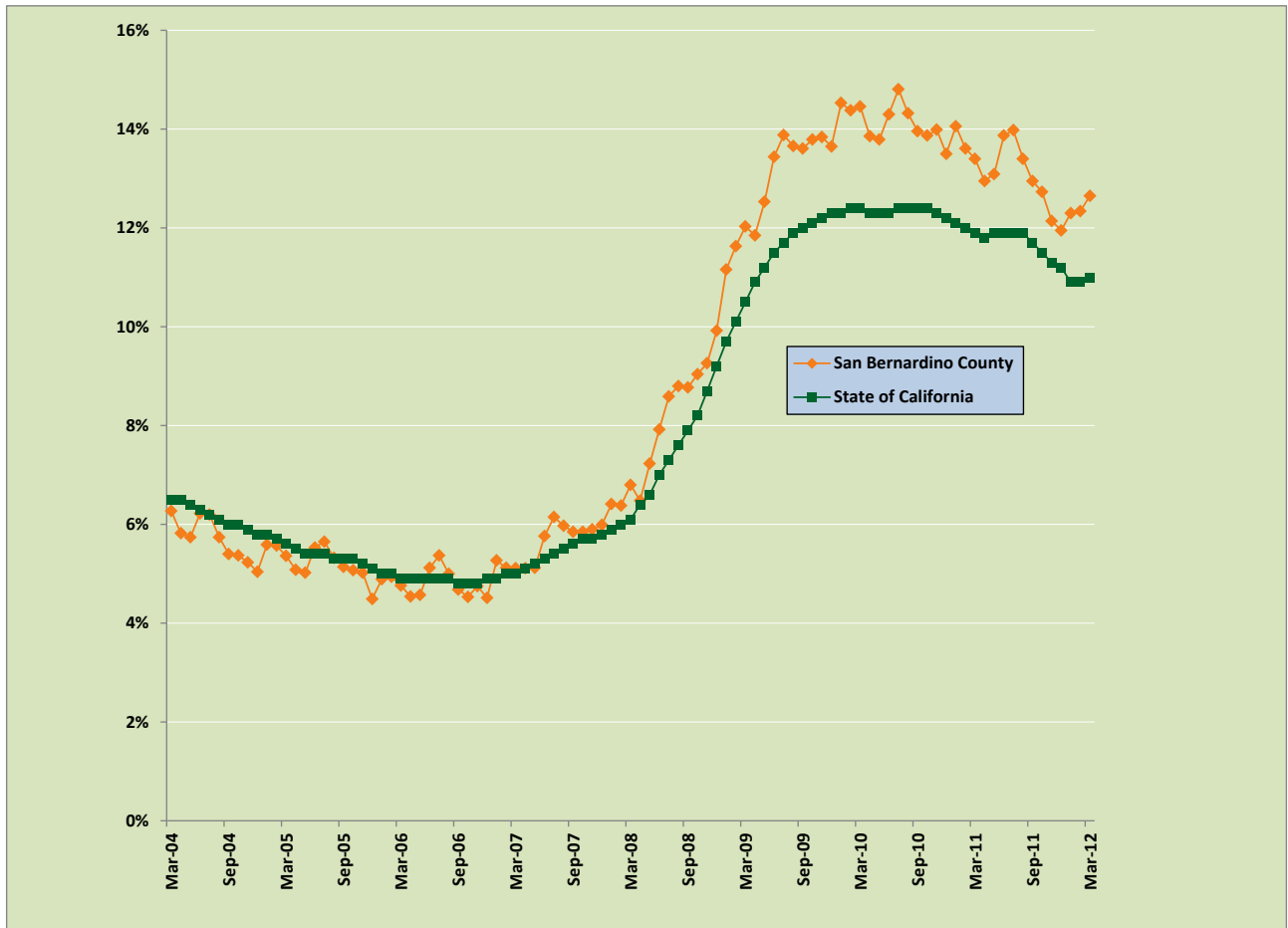
Source: Dataquick



The mortgage and economic crisis has also negatively impacted the residents of the County. In addition to the decline in property values, the loss of jobs in the County has led to high levels of unemployment, as shown in the chart below. Job losses from 2008 through 2010 totaled 146,458, in large part due to the downturn in the construction sector. Unemployment reached 14.8% in July 2010.

However there are some signs of improvement. 2011 saw job gains of 3,767 and forecasted job growth for 2012 is 16,300. Unemployment remains high at 12.7% in March 2012 compared to unemployment rates for the State and the United States of America which were 11.0% and 8.2%, respectively.

**COUNTY OF SAN BERNARDINO  
UNEMPLOYMENT RATES  
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY  
MARCH 2004 THROUGH MARCH 2012**



Source: CA Employment Development Department



**AUTOMATED SYSTEMS DEVELOPMENT**

The Automated Systems Development budget unit is a restricted general fund that was established in 2011-12 to fund the development, upgrade, and/or replacement of the County's Financial Accounting System (FAS 2012 Project), a core information technology system; and for other future developments.

The FAS 2012 project is a countywide collaborative effort to upgrade or replace the existing financial accounting system that was implemented over 20 years ago and does not provide either the efficiencies or information for managing County functions that modern systems provide. In 2011-12, the Board of Supervisor's approved a \$6.0 million allocation of discretionary general funding to fund this project, and added an additional \$6.0 million mid-year. A Request for Information was released in July 2011 and the resulting information was utilized to prepare a scope of services. Currently, the project is actively seeking an independent project management firm with a history of successful government accounting information system installations to oversee the Request for Proposal and ultimate installation.

Appropriation of \$12.0 million represents anticipated capitalized software and application development costs associated with the FAS 2012 project.

Below is a table detailing budgeted appropriation for this unit in 2012-13.

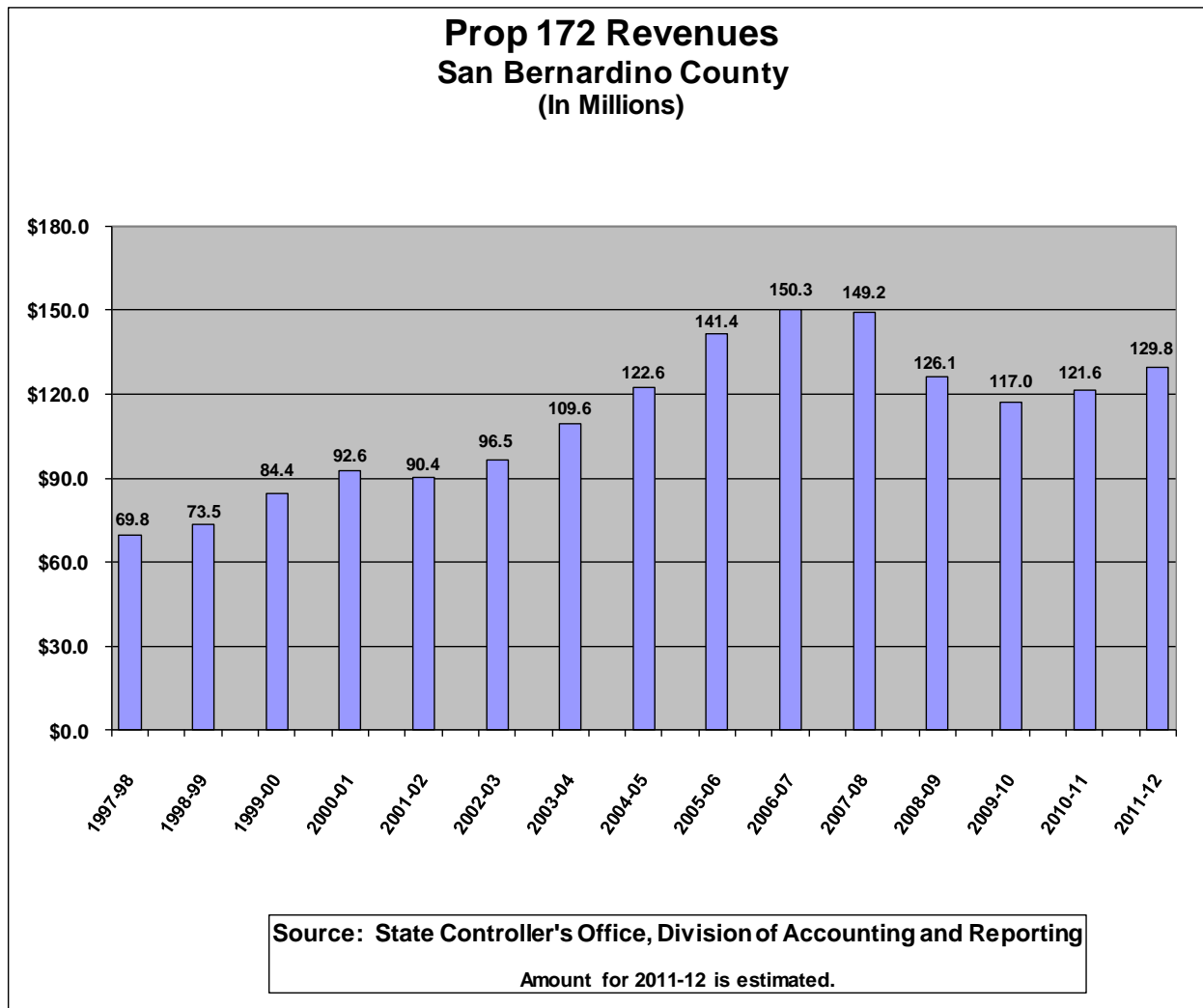
	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Estimate	2011-12 Modified Budget	2012-13 Recommended Budget	Change From 2011-12 Modified Budget
<b><u>Appropriation</u></b>							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	500,000	500,000	0
Capital Expenditures	0	0	0	0	11,500,000	11,500,000	0
Contingencies	0	0	0	0	0	0	0
Total Exp Authority	0	0	0	0	12,000,000	12,000,000	0
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	0	0	0	12,000,000	12,000,000	0
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	0	0	0	12,000,000	12,000,000	0
<b><u>Departmental Revenue</u></b>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Financing Sources	0	0	0	0	0	0	0
Fund Balance					12,000,000	12,000,000	0
Budgeted Staffing					0	0	0



**PROPOSITION 172**

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the state property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. In accordance with Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the County. The following chart reflects the annual amount of Prop 172 revenues received by San Bernardino County, excluding the cities' distributions, for the past 15 years.



On August 22, 1995, the County of San Bernardino Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the County's 95% share of Prop 172 revenue, consistent with Government Code Section 30052, and authorized the Auditor-Controller/Treasurer/Tax Collector to deposit the County's portion of the Prop 172 revenue as follows:

➤ Sheriff/Coroner/Public Administrator	70.0%
➤ District Attorney	17.5%
➤ Probation	12.5%

Prop 172 revenue currently represents a significant funding source for the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Each year, as part of the budget development process, Prop 172 projections are developed based on staff analysis of revenue trends and forecasts provided by an outside economist.

On February 13, 2007, the Board of Supervisors approved a policy which requires the County to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted Prop 172 revenues. This 10% contingency was created to ensure funding for these public safety departments should the County experience Prop 172 revenue shortfalls in the future. These contingencies are maintained for each respective department within the Prop 172 restricted general fund.

The chart below illustrates the beginning and ending estimated fund balances of the Prop 172 restricted general fund, budgeted revenue and departmental usage for 2012-13, the required 10% contingency target, and the amount in excess of that target.

	<b>Estimated Beginning Fund Balance</b>	<b>2012-13 Budgeted Revenue</b>	<b>2012-13 Budgeted Usage</b>	<b>Estimated Ending Fund Balance</b>	<b>10% Contingency</b>	<b>Amount in Excess of Required Contingency</b>
<b>Sheriff</b>	11,061,950	95,005,000	(96,481,450)	9,585,500	9,500,500	85,000
<b>District Attorney</b>	3,366,868	23,765,000	(24,720,368)	2,411,500	2,376,500	35,000
<b>Probation</b>	4,922,433	16,990,000	(16,950,000)	4,962,433	1,699,000	3,263,433
<b>Total</b>	<b>19,351,251</b>	<b>135,760,000</b>	<b>(138,151,818)</b>	<b>16,959,433</b>	<b>13,576,000</b>	<b>3,383,433</b>





**REALIGNMENT**

In 1991, the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to 0.65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenue.

Within the mental health area, the programs the County is now responsible for are: community-based mental health programs, State Hospital services for County patients, and Institutions for Mental Disease. Within the social services area, the programs the County is now responsible for are: the County revenue stabilization program and the County justice subvention program. Within the health area, the programs the County is now responsible for are: AB8 County health services, local health services, medically indigent services, and the County medical services program.

In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. For example, prior to Realignment, Foster Care costs were funded by 95% state resources and 5% County resources. Now Foster Care is funded by 40% state resources and 60% County resources, which is a significant impact to the County.

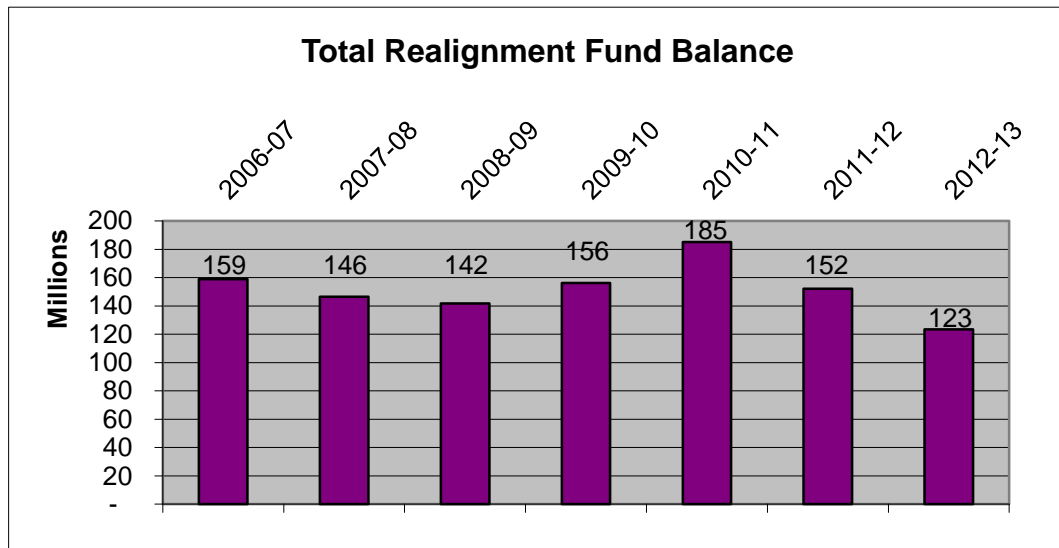
The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an “under equity county,” meaning that the County receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The County continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

In addition to the under equity issue is the fact that the demand for the services the County is providing and the revenue streams funding them are both sensitive to the economy. When the economy does poorly, demand for services is high, but revenues under perform. When the economy is doing well, demand for services is reduced, sales taxes and vehicle license fees revenues are high, and growth in these funding streams is experienced. Social Services has priority claim on any sales tax growth received. If the growth is sufficient to cover the increasing Social Services caseload costs, then anything remaining is distributed to the Mental Health and Health Realignment funds.

**Budgetary Note:** Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state’s reporting requirements are not consistent with the County’s implementation of GASB 34 as it relates to revenue accrual. As such, within the County financial accounting system, an adjustment will be made to show the correct revenues in accordance with the County accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.



The graph below shows the history of fund balance for all Realignment funds.



During 2007-08 an unanticipated increase in departmental usage for Behavioral Health, resulting from un-reimbursed Medi-Cal and Title XIX EPSDT claims, coupled with sales tax and vehicle license fee revenue base short falls, resulted in a decrease of \$13 million in fund balance.

During 2008-09, revenue shortfalls of 13.2% and 8.5% in sales tax and vehicle license fee revenue, respectively, offset with decreased departmental usage resulted in a slight decrease in fund balance of \$4 million for the period ending June 30, 2009.

During 2009-10, revenue shortfalls continued at 3.69% and 6.73% in sales tax and vehicle license fee revenue, respectively. These shortfalls were offset, however, by even greater departmental savings, resulting in a slight increase in fund balance of \$5 million for the period ending June 30, 2010.

During 2010-11, as compared to prior year revenue, sales tax realized a 3.59% increase while VLF continued to decline with a 1.50% shortfall. Those factors would have normally caused a decline in fund balance given departmental needs. However, the Health Realignment fund experienced a one-time savings due to state legislation regarding hospital fees. The net effect was an increase to overall fund balance of \$29 million.

Projected revenues for 2011-12 are \$7.3 million below the adopted budget figure. Sales tax is projected to increase 3.8% but VLF continues to fall with a projected decline of 10.2%. At the same time the demands for County services, as expected, continue to increase as economic recovery remains sluggish. Departmental usage of realignment funds continue to increase and exceed the budget figure by over \$4 million. All these factors combined result in an expected decline of nearly \$33 million in Realignment fund balance during the course of Fiscal Year 2011-12.

For 2012-13, revenues are projected to increase as the state expects sales tax receipts to increase by nearly 8%. However, the state continues to propose further realignment, making the County increasingly responsible for programs experiencing increased expenditures. As a result, departmental usage continues to exceed budgeted revenues, resulting in an anticipated decrease in fund balance of \$28.6 for the period ending June 30, 2013.

Budget History for All Realignment Budget Units
---

	ACTUAL 2010-11	MODIFIED 2011-12	ESTIMATED 2011-12	RECOMMENDED 2012-13
Beginning Fund Balance	156,341,656	185,141,698	185,141,698	152,155,411
Revenue	178,187,486	176,319,784	168,980,128	181,054,863
Departmental Usage	149,387,444	197,919,387	201,966,415	209,720,945
Ending Fund Balance	185,141,698	163,542,095	152,155,411	123,489,329
Change in Fund Balance	28,800,042	(21,599,603)	(32,986,287)	(28,666,082)

Departmental usage of \$209.7 million exceeds the revenue projection of \$181.0 million, resulting in a net usage of \$28.7 million in total fund balance. Expenditure levels continue to be monitored closely, with specific measures being developed to reduce overall departmental usage until such time as revenue growth is realized and fund balance is restored.

SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2012-13
---

	Mental Health	Social Services	Health	Total
Estimated Beginning Fund Balance	26,434,435	56,687,954	69,033,022	152,155,411
Budgeted Revenue	45,611,825	84,129,059	51,313,979	181,054,863
Budgeted Departmental Usage	50,878,562	102,512,103	56,330,281	209,720,945
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	21,167,698	38,304,910	64,016,721	123,489,329
Estimated Change in Fund Balance	(5,266,737)	(18,383,044)	(5,016,302)	(28,666,082)
<hr/>				
Estimated Ending Fund Balance	21,167,698	38,304,910	64,016,721	123,489,329
10% Contingency Target	4,561,183	8,412,906	5,131,398	18,105,486
Available Ending Fund Balance	16,606,516	29,892,004	58,885,323	105,383,843

The Realignment budget units do not directly spend funds or provide service. They are strictly funding budget units with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the County level. Upon action by the Board of Supervisors, a County can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County did not do a 10% transfer in the prior three fiscal years and is not budgeting one for 2011-12. However, in the event that such transfer is needed, Board of Supervisors approval is required.

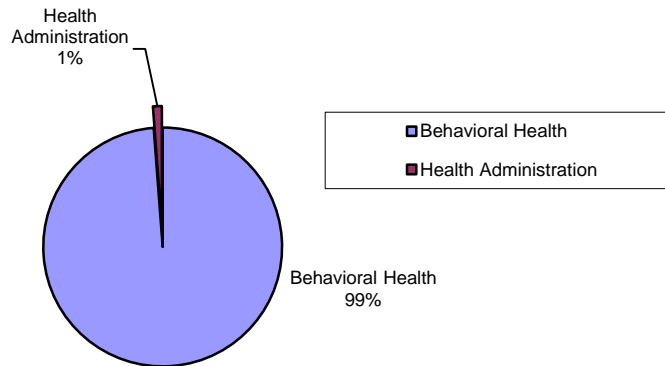
The breakdown of the fund balance calculations and departmental usage for each of the three individual Realignment funds are on the following pages.



<b>Mental Health</b>				
	<b>ACTUAL 2010-11</b>	<b>MODIFIED 2011-12</b>	<b>ESTIMATED 2011-12</b>	<b>RECOMMENDED 2012-13</b>
Beginning Fund Balance	21,612,701	29,449,375	29,449,375	26,434,435
Revenue	50,574,115	47,842,753	44,027,083	45,611,825
Departmental Usage	42,737,441	48,423,916	47,042,024	50,878,562
10% Transfers	0	0	0	0
Ending Fund Balance	29,449,375	28,868,212	26,434,435	21,167,698
Change in Fund Balance	7,836,674	(581,163)	(3,014,940)	(5,266,737)

For 2012-13, the Mental Health fund is budgeted to decrease \$5.3 million in fund balance. The Department of Behavioral Health is perhaps the department most negatively affected by continuing realignment efforts by the state. Revenues from all sources are projected to decline 7.6% in Fiscal Year 2011-12. While sales tax is projected to increase state-wide, the allocation provided to the Mental Health Realignment account is a fixed amount. A strong year in 2010-11 that saw a substantial increase in fund balance should allow the fund to weather the ongoing changes over the next few years.

<b>Breakdown of Departmental Usage of Mental Health Realignment</b>				
	<b>ACTUAL 2010-11</b>	<b>MODIFIED 2011-12</b>	<b>ESTIMATED 2011-12</b>	<b>RECOMMENDED 2012-13</b>
Behavioral Health	42,342,914	47,842,753	46,569,724	50,342,753
Health Administration	394,527	581,163	472,300	535,809
Total Departmental Usage	42,737,441	48,423,916	47,042,024	50,878,562



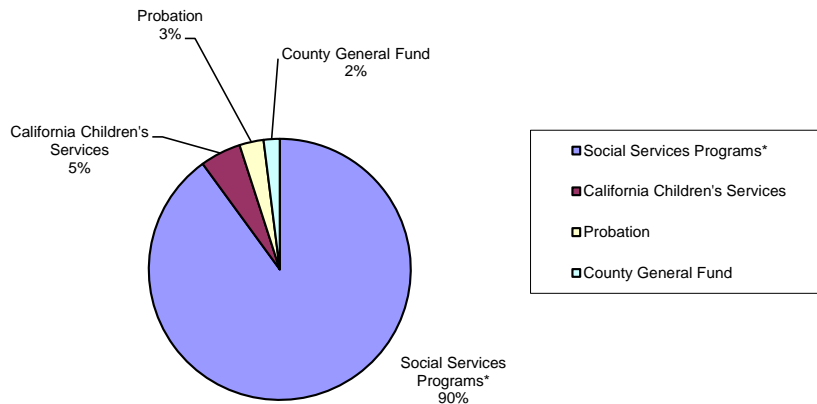
<b>Social Services</b>				
	<b>ACTUAL 2010-11</b>	<b>MODIFIED 2011-12</b>	<b>ESTIMATED 2011-12</b>	<b>RECOMMENDED 2012-13</b>
Beginning Fund Balance	92,335,714	77,289,620	77,289,620	56,687,954
Revenue	75,661,024	76,524,684	78,756,266	84,129,059
Departmental Usage	90,707,118	90,633,560	99,357,932	102,512,103
10% Transfers	-	-	-	-
Ending Fund Balance	77,289,620	63,180,744	56,687,954	38,304,910
Change in Fund Balance	(15,046,094)	(14,108,876)	(20,601,666)	(18,383,044)

Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees.

For 2012-13, budgeted expense and ongoing revenue are expected to result in usage of fund balance of \$18.4 million. In addition, budgeted departmental usage for 2011-12 continues to outpace revenues, and as such, will be monitored closely to ensure that fund balance is maintained at adequate levels.

<b>Breakdown of Departmental Usage of Social Services Realignment</b>				
	<b>ACTUAL 2010-11</b>	<b>MODIFIED 2011-12</b>	<b>ESTIMATED 2011-12</b>	<b>RECOMMENDED 2012-13</b>
Social Services Programs*	82,864,756	81,555,838	91,238,752	93,435,503
California Children's Services	3,342,732	4,578,092	3,619,550	4,576,970
Probation	2,700,630	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Departmental Usage	90,707,118	90,633,560	99,357,932	102,512,103

\* Soc. Svcs. Programs include: Foster Care (AAB BHI), Administrative Claim Matches (DPA), Aid to Adoptive Children (AAB ATC) and Health

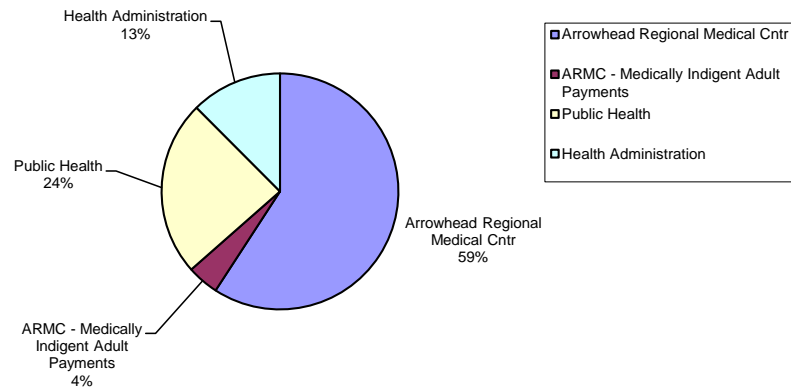




Health				
	ACTUAL 2010-11	MODIFIED 2011-12	ESTIMATED 2011-12	RECOMMENDED 2012-13
Beginning Fund Balance	42,393,241	78,402,703	78,402,703	69,033,022
Revenue	51,952,347	51,952,347	46,196,779	51,313,979
Departmental Usage	15,942,885	58,861,911	55,566,460	56,330,281
10% Transfers	-	-	-	-
Ending Fund Balance	78,402,703	71,493,139	69,033,022	64,016,721
Change in Fund Balance	36,009,462	(6,909,564)	(9,369,681)	(5,016,302)

For 2012-13, the Health fund is budgeted to spend \$5 million of fund balance. Revenue is projected to increase over actuals from 2011-12. However, they are still not on par with departmental usage. However, significant savings in Fiscal Year 2010-11 built a substantial fund balance that should allow the fund to be viable until the economy rebounds.

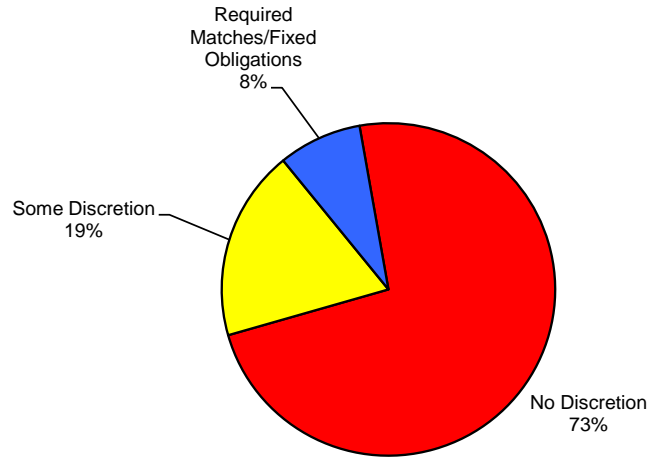
Breakdown of Departmental Usage of Health Realignment				
	ACTUAL 2010-11	MODIFIED 2011-12	ESTIMATED 2011-12	RECOMMENDED 2012-13
Arrowhead Regional Medical Cntr	-	34,820,000	34,820,000	34,820,000
ARMC - Medically Indigent Adult Payments	798,556	2,550,000	2,550,000	2,550,000
Public Health	9,834,560	14,164,292	10,842,792	14,164,292
Health Administration	5,309,769	7,327,619	7,353,668	4,795,989
Total Departmental Usage	15,942,885	58,861,911	55,566,460	56,330,281



## COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers in is \$2.4 billion, however, only \$0.45 billion is truly discretionary as seen in this pie chart.

### 2012-13 Recommended Budget General Fund Spending

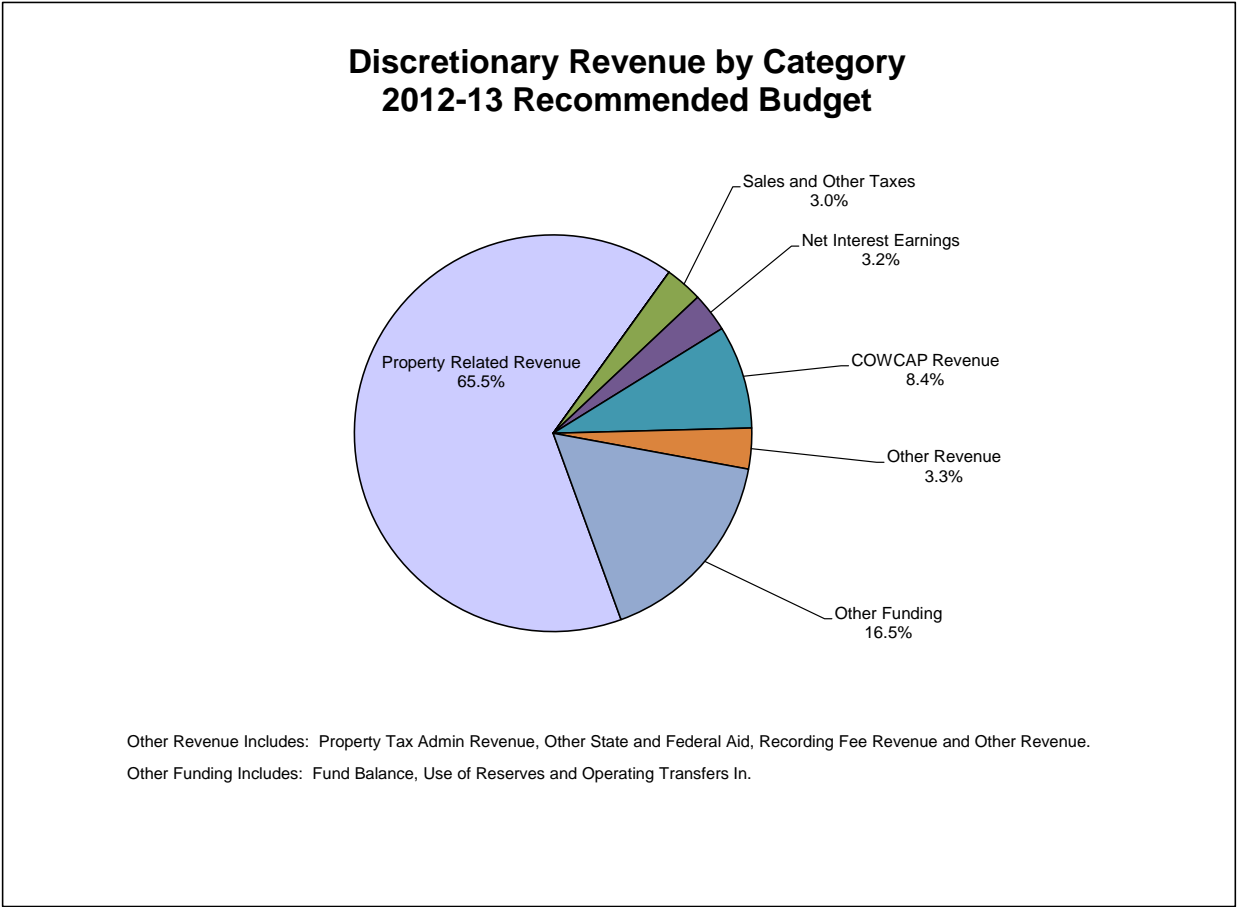


<b>SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:</b>	<b>1,763,003,041</b>
Welfare costs reimbursed by state and federal monies (\$911.7 million)	
Other program costs funded by program revenues such as user fees (\$851.3 million)	
<b>REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:</b>	<b>194,660,388</b>
<b>SPENDING WHERE THERE IS DISCRETION. INCLUDES:</b>	<b>446,330,908</b>
Reserve Contributions (\$0.0 million)	
Contingencies Contributions (\$15.8 million)	
Law and justice program costs funded by local revenues (\$296.4 million)	
All other program costs funded by local revenues (\$134.2 million)	
<b>TOTAL:</b>	<b>\$2,403,994,337</b>

The countywide discretionary revenue is \$640,991,296 and is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$194,660,388. The remaining amount of \$446,330,908 is available to fund departmental budgets' net county cost or other expenditures.



Shown below are the sources of the countywide discretionary revenue of \$640,991,296 for the 2012-13 recommended budget:



Percentages may not add to 100% due to rounding.



### COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST

	2011-12 Adopted Budget	2011-12 Modified Budget	2011-12 Estimate	2012-13 Recommended Budget
<b>Countywide Discretionary Revenue</b>				
Property Related Revenue:				
Current Secured, Unitary	201,890,667	201,890,667	202,270,093	200,406,123
VLF/Property Tax Swap	202,506,520	200,679,043	200,679,043	198,672,252
Supplemental Property Tax	4,000,000	4,000,000	4,000,000	4,000,000
Property Transfer Tax	5,400,000	5,400,000	5,100,000	5,100,000
Sales Tax/Property Tax Swap	4,356,763	4,370,793	4,370,793	5,542,503
Penalty on Current Taxes	2,470,000	2,470,000	2,470,000	2,470,000
Prior Property Taxes, Penalties and Interest	4,000,000	4,000,000	4,000,000	3,500,000
<b>Total Property Related Revenue</b>	<b>424,623,950</b>	<b>422,810,503</b>	<b>422,889,929</b>	<b>419,690,878</b>
Sales and Other Taxes:				
Sales and Use Tax	10,437,472	12,437,472	12,437,472	11,749,685
Franchise Fees	5,474,044	5,474,044	5,810,000	5,810,000
Hotel/Motel Tax	1,200,000	1,200,000	1,200,000	1,200,000
Other Taxes	790,000	790,000	790,000	790,000
<b>Total Sales and Other Taxes</b>	<b>17,901,516</b>	<b>19,901,516</b>	<b>20,237,472</b>	<b>19,549,685</b>
Net Interest Earnings	23,887,241	22,192,139	21,231,940	20,408,500
COWCAP Revenue	58,564,924	58,564,924	58,564,924	53,996,755
Property Tax Admin Revenue	13,888,257	13,888,257	13,888,257	12,888,257
Recording Fee Revenue	3,400,000	3,400,000	3,100,000	3,100,000
State and Federal Aid	4,883,223	4,883,223	4,883,223	4,883,223
Other Revenue	3,030,000	3,888,019	5,528,033	430,000
<b>Total Countywide Discretionary Revenue</b>	<b>550,179,111</b>	<b>549,528,581</b>	<b>550,323,778</b>	<b>534,947,298</b>
<b>Other Funding Sources</b>				
Available Fund Balance, beginning	69,913,117	69,913,117	69,913,117	38,883,880
Fund Balance for Board Discretionary Fund Allocations	-	-	-	11,081,283
Use of Reserves	4,864,427	5,218,640	5,218,640	5,000,000
Operating Transfers In (One-Time)	44,346,012	46,035,481	29,344,964	26,536,474
Operating Transfers In (Ongoing)	24,839,880	24,839,880	24,473,181	24,542,361
<b>Total Other Funding Sources</b>	<b>143,963,436</b>	<b>146,007,118</b>	<b>128,949,902</b>	<b>106,043,998</b>
<b>Total Countywide Discretionary Revenue and Other Funding Sources</b>	<b>694,142,547</b>	<b>695,535,699</b>	<b>679,273,680</b>	<b>640,991,296</b>
<b>Locally Funded Appropriation</b>				
Total Countywide Discretionary Revenue	550,179,111	549,528,581	550,323,778	534,947,298
Operating Transfers In (Ongoing)	24,839,880	24,839,880	24,473,181	24,542,361
<b>Locally Funded Appropriation</b>	<b>575,018,991</b>	<b>574,368,461</b>	<b>574,796,959</b>	<b>559,489,659</b>

The 2012-13 discretionary general funding of \$640,991,296 includes Countywide Discretionary Revenue of \$534.9 million and Other Funding Sources of \$106.0 million. Per the County Fund Balance and Reserve Policy, the General Purpose Reserve is currently targeted at 20% of locally funded appropriation (\$559,489,659 per above schedule) and a minimum of 1.5% of locally funded appropriation is to be placed in general fund mandatory contingencies. The County increased the target for the General Purpose Reserve to 20%, from the previous target of 10%, in June 2011. The Fund Balance and Reserve Policy directs that one-time money be used to increase the General Purpose reserve until the 20% target is reached. The 2012-13 Recommended Budget includes a contribution of \$5.6 million, which will bring the General Purpose Reserve to 12.7% of locally funded appropriation.



### **Countywide Discretionary Revenue**

Property Related Revenue account for over 65% of countywide discretionary revenue and other funding sources. These revenues have been severely impacted as a result of the financial crisis, which has had a significant effect on the housing market within the County. For the fourth consecutive year, the County is anticipating a decrease in the assessed valuation of properties within the County. The anticipated decrease for 2012-13 of 1.0% compares to an assessed valuation decline of 6.17% in 2009-10, a decline of 4.55% in 2010-11, and a decline of 0.87% in 2011-12.

Assessed valuation has been negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property.

Although assessed valuations have continued to decline, there are indications that the housing market is stabilizing. The median price of a home has remained at approximately \$150,000 for the thirty-one months ending March 2012. During that period, from September 2009 through March 2012, the median price has only dipped below \$150,000 three of the thirty-one months, with the lowest of those three months being at \$147,500.

### **Elimination of Redevelopment Agencies**

A portion of the general fund's property tax revenue is pass-through of property tax increment belonging to redevelopment agencies. Redevelopment agencies were dissolved as of February 1, 2012, pursuant to ABX126. Pursuant to ABX126, revenues that would have been directed to the dissolved redevelopment agencies will continue to be used to make pass-through payments to other public agencies (i.e., payments that such entities would have received under prior law). In addition, the State projects that the elimination of redevelopment agencies will provide additional property tax revenue for local public agencies, including the County. The County has not budgeted any additional property tax revenue that might result from the dissolution of Redevelopment Agencies pursuant to ABX126, but does continue to budget for pass-through payments consistent with ABX126.

### **The Teeter Plan**

The Teeter Plan is an alternate property tax distribution procedure authorized by the California Legislature in 1949 and implemented by the County in fiscal year 1993-94. Generally, the Teeter Plan provides for a property tax distribution procedure by which secured roll taxes are distributed based on the tax levy, rather than on the basis of actual tax collections, for agencies that elect to participate in the Teeter Plan (including the county general fund). Under the Teeter Plan, the County advances each participant an amount equal to the participant's Teeter Secured Levy (adjusted at year end for corrections to the assessment roll) that remains unpaid at the end of the fiscal year. In return, the county general fund receives all future delinquent tax payments, penalties and interest. The County bears the risk of loss on the delinquent property taxes but benefits from the penalties and interest associated with these delinquent taxes when they are paid. Under the Teeter Plan the County is also required to establish a tax loss reserve fund to cover losses that may occur as a result of sales of tax-defaulted properties.

The levy secured by the Teeter Plan (the Teeter Secured Levy), includes each participating agency's share of the 1% ad valorem secured levy plus any ad valorem levy for the debt service of voter-approved general obligation bonds. Not included in the Teeter Secured Levy are supplemental roll revenues, special assessments, utility roll revenues, or property tax pass-through amounts from redevelopment agencies within the County (see 'Elimination of Redevelopment Agencies' above).

As a participant in the Teeter Plan, the county general fund receives the entire share of its Teeter Secured Levy, regardless of delinquencies. The county general fund also receives all participating agencies share of the penalties and interest associated with the delinquent taxes advanced under the Teeter Plan once they are paid. These interest and penalties are accounted for as interest earnings in countywide discretionary revenue.





The annual advance of the amount of delinquent taxes under the Teeter Plan is anticipated to increase slightly for the 2011-12 property tax cycle. However, penalties and interest from the Teeter Plan are projected to decline, due to downward corrections in assessed valuation of properties that make up the Teeter Plan receivable amount.

The following paragraphs describe the components of property related revenue in detail:

**Current Secured, Unsecured, Unitary**

Secured Property Tax Revenue makes up \$176.8 million of the \$200.4 million in the 2012-13 “Current Secured, Unsecured, Unitary” budgeted revenue number, down from \$179.0 million in the 2011-12 Modified Budget. This reflects the projected decrease in assessed valuation of 1.0%. The County has not budgeted any additional property tax revenue that might result from the dissolution of Redevelopment Agencies pursuant to ABX126, but does continue to budget for pass-through payments consistent with ABX126 (see ‘Elimination of Redevelopment Agencies’ above).

**VLF/Property Tax Swap**

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose funding. Beginning in 1998-99, the state reduced the VLF payment required from vehicle owners. However, the state made up the revenue impact of the VLF rate reductions with state general fund revenue (the ‘VLF Backfill’).

The VLF Backfill was eliminated in the 2004-05 state budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

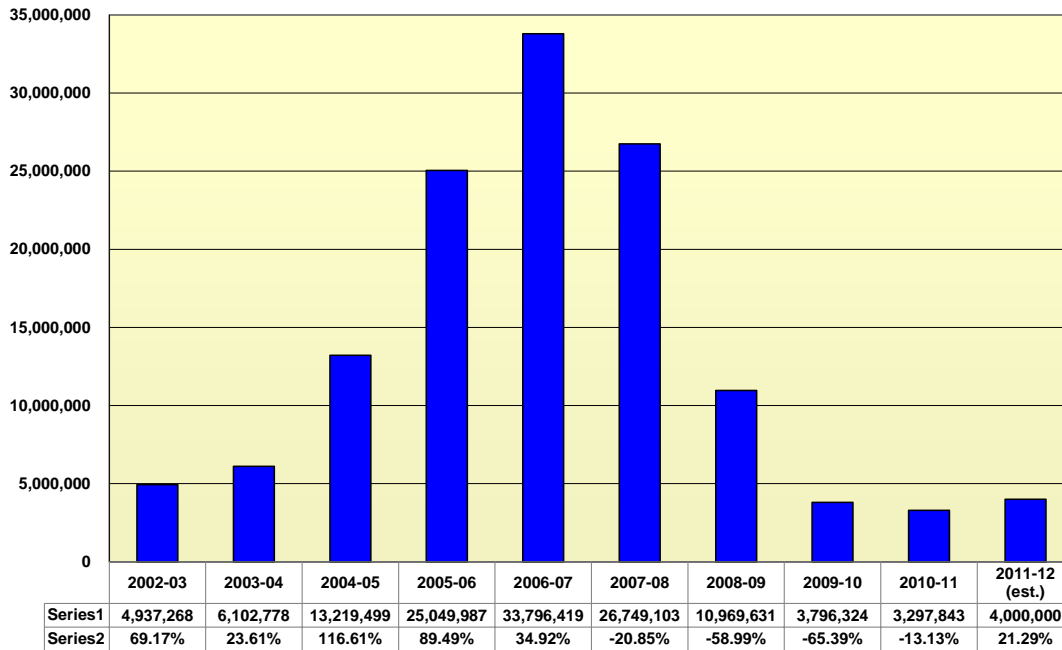
For 2004-05, the state established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount adjusted by the percent change in assessed valuation. This percent change includes both secured and unsecured assessed valuation, but excludes the change in unitary valuations. The 2012-13 budgeted amount reflects the projected decrease in assessed valuation of 1.0%, as compared to the 2011-12 Modified Budget.

**Supplemental Property Tax**

Supplemental Property Tax payments are required from property owners when there is a change in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenue to the county. Conversely, when values are decreasing and home sales are high, refunds may be due to homeowners, and supplemental property tax revenues will decrease. Because the collection of these revenues may not occur for one to two years after the sale of the property, supplemental property tax revenue will generally lag the reality in the housing market by at least a year.



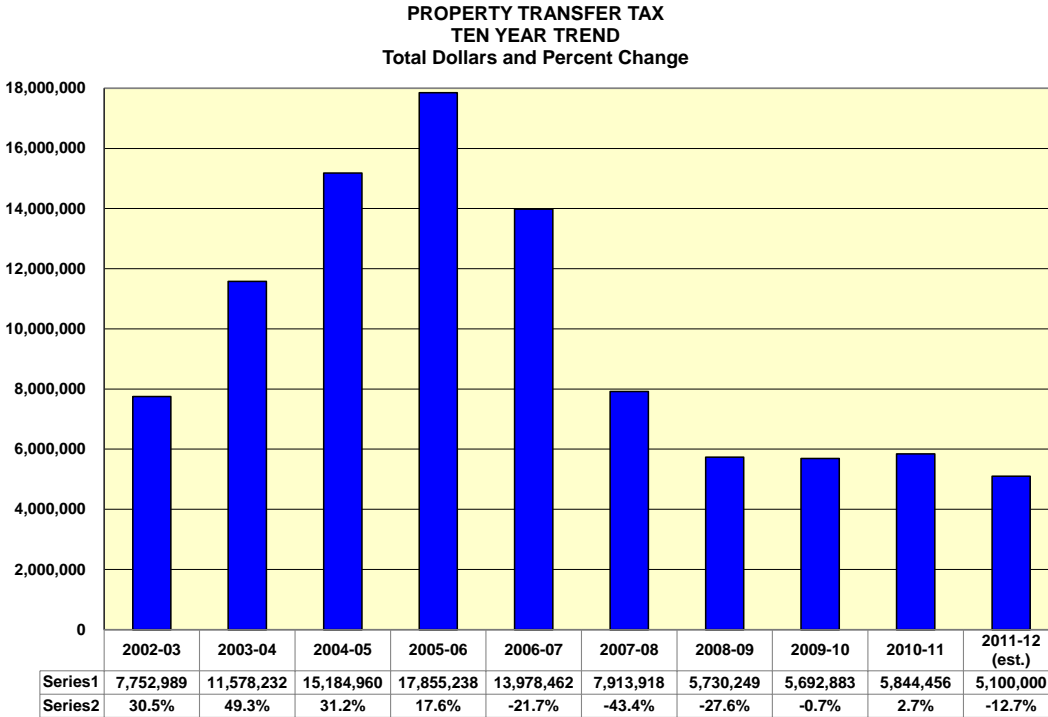
**SUPPLEMENTAL PROPERTY TAXES  
TEN-YEAR TREND  
Total Dollars and Percent Change**



As discussed above, when homes sell at prices lower than the current assessed value reflected on the property tax bill, a refund may be due to the taxpayer. Because many homes have been selling at prices lower than their current assessed values, resulting in the payment of refunds, the county estimates only \$4.0 million in supplemental property tax revenues in 2012-13.

### Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. The County anticipates that property transfer tax will be \$5.1 million in 2012-13, consistent with the 2011-12 year end estimate. The following chart presents the most recent ten year trend of property transfer tax revenue.



### Sales Tax/Property Tax Swap

Effective with the fiscal year that began on July 1, 2004, the state changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1% of the state's base sales tax rate, which is currently 7.25%. Pursuant to new provisions enacted by the legislature, this 1% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the state to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue (funded by reducing the schools' share of property tax revenue) in an amount equal to the 0.25% sales tax revenues forgone. The state general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. This Triple Flip will continue until the California Economic Recovery Bonds are paid.

The Triple Flip was designed to replace sales tax revenue on a dollar for dollar basis with property tax revenue. In practice, the additional property tax revenue paid to the counties and cities each year is based on an estimate of the agencies' sales tax revenue for the year plus a 'true-up' from the prior year. This true-up represents the difference between the additional property tax revenue paid to the local agency and the actual amount of sales tax revenue (the 0.25%) lost by the local agency.

For 2012-13 the County anticipates \$5.5 million in Triple Flip revenue which includes an estimated \$0.7 million in true-up from the prior year.



### **Sales and Use Tax**

Countywide discretionary revenue includes 0.75% of the county's 7.75% sales tax rate charged on purchases made in the unincorporated areas of the county.

When preparing the annual budget, the county projects future sales tax revenue based on data provided by a local economist and the County's sales tax consultant. For 2012-13, ongoing sales tax revenue is anticipated to decrease slightly from 2011-12 estimated receipts. This is because the 2011-12 estimate includes one-time use tax receipts for energy related projects. 2012-13 sales tax revenue in the unincorporated area is projected to total \$14.4 million (after adjusting for the Triple Flip). The County has budgeted \$11.7 million in 2012-13.

The sales tax revenue projection of \$11.7 million is net of the portion of the County ongoing sales tax revenue remitted to the City of Redlands under the sales tax sharing agreement explained below:

#### Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographical area has numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County discretionary sales tax revenue generated in this area.

#### Potential Annexations and Incorporations

Based on recent estimates, and adjusted for recent annexations, approximately 31.4% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the County's boundaries. A sphere of influence is a 'planning boundary' within which a city or district is expected to grow over time. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

### **Net Interest Earnings**

Net interest earnings for 2012-13 are projected at \$20.4 million. This is \$0.8 million lower than 2011-12 estimated revenue. The decrease is due to lower available investment rates and lower interest and penalties from delinquent property taxes from the County's Teeter Plan. For more information see the section titled 'The Teeter Plan' on page 15 of this section.

### **COWCAP (Countywide Cost Allocation Plan) Revenue**

The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2012-13 Countywide Cost Allocation Plan (COWCAP) published by the Auditor-Controller/Treasurer/Tax Collector. COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the County Library and Board-governed special districts. The County anticipates an increase in COWCAP revenue in an amount of \$6.5 million from these departments in 2012-13.

In 2011-12 the County began charging COWCAP to general fund departments that receive Net County Cost to fund their programs. This was a change in practice, since Net County Cost then needed to be allocated to these departments to pay for these COWCAP charges. However, to ensure that the full cost of services was included in fees that they charge for services, locally funded general fund departments began paying COWCAP, using an increased Net County Cost allocation. For 2012-13 COWCAP charges for these departments fell by \$11.1 million, which is offset by a decrease in their Net County Cost allocation in the same amount.



### **Property Tax Admin Revenue**

Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which is allowed by the legislature, recovers a portion of the County's cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort. School Districts are not required to pay their share of this fee, so not all county costs are recovered.

This revenue is projected to decline by \$1.0 million from the 2011-12 modified budget. This decline reflects a \$1.0 million positive correction to the 2011-12 revenue amount, that is eliminated in 2012-13.

### **Recording Fee Revenue**

The Recorder's Division of the County's Assessor/Recorder/County Clerk's Office collects certain fees for the official recording of documents. Recording Fees are expected to remain flat as compared to the 2011-12 Modified Budget.

### **State and Federal Aid**

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the federal government's Payment in Lieu of Taxes (PILT) program. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) was enacted on October 3, 2008 and authorized full funding for the PILT program from 2008 through 2012, which will generate approximately \$1.0 million in additional PILT revenue annually. 2012-13 is the last year that this additional PILT revenue will be received. The Board of Supervisors approved placing this additional \$1.0 million in the High Desert Fire Station Reserve.

### **Other Revenue**

Other revenue includes voided warrants issued by the County, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues. Beginning in 2012-13, Other Revenue no longer includes overhead charges recovered through city law enforcement contracts with the Sheriff/Coroner/Public Administrator, which, in 2011-12, is currently budgeted in the amount of \$2.6 million. This overhead charge is now being retained by the Sheriff/Coroner/Public Administrator since they are being charged the full amount of COWCAP expense and are only being funded for the locally funded portion of these costs.

### **Other Funding Sources**

#### **Fund Balance and Reimbursements**

The 2011-12 estimated year-end fund balance for the general fund is \$38.9 million.

#### **Use of Reserves**

The 2012-13 budget anticipates the use of the full amount of the High Desert Fire Station Reserve, which will fund a \$2.6 million contribution to the fire station at Needles and a \$2.4 million contribution to the fire station at Spring Valley Lake.

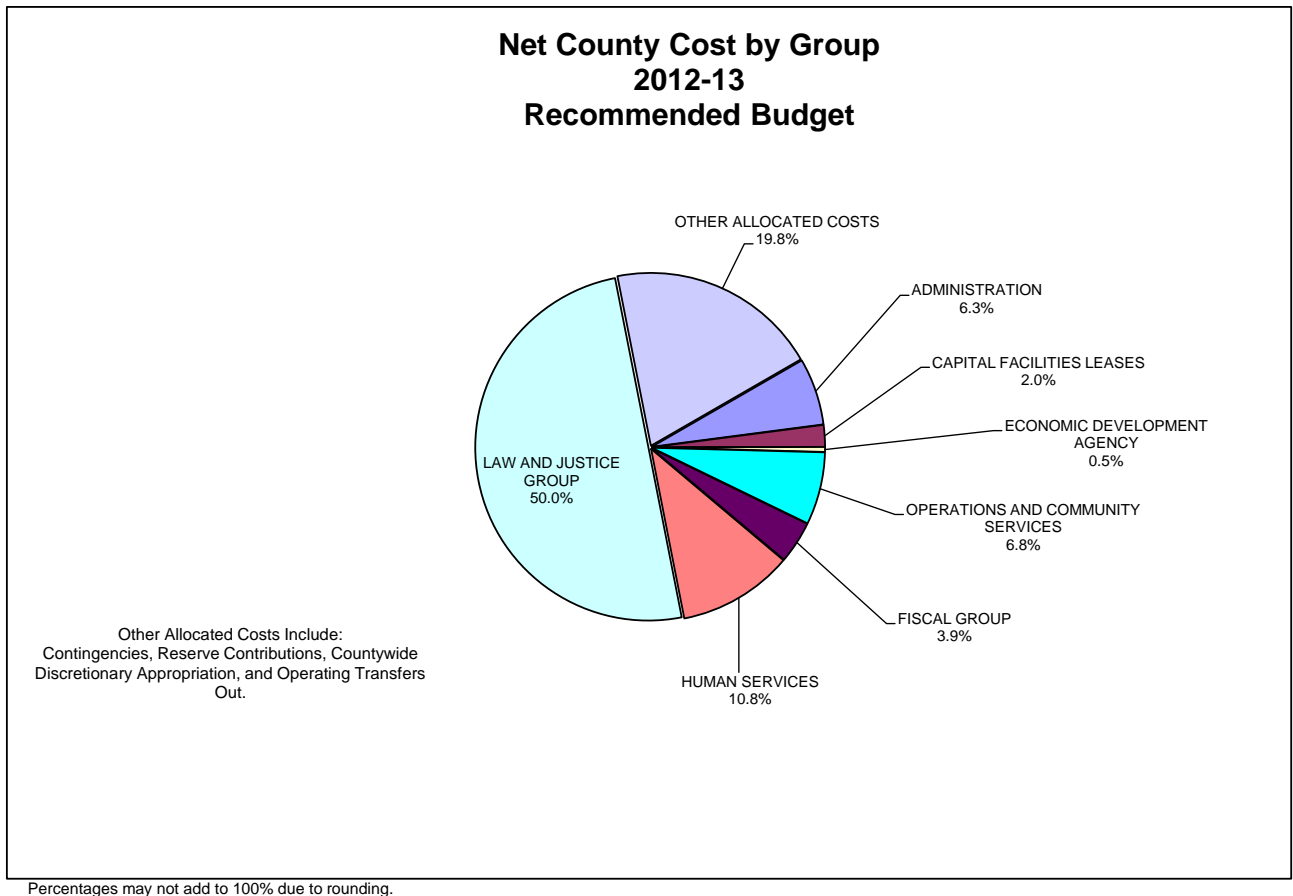
#### **Operating Transfers In**

Operating transfers in primarily include \$17.0 million of ongoing tobacco settlement funds to provide \$15.0 million of ongoing funding for debt service on the Arrowhead Regional Medical Center and \$2.0 million of ongoing funding for Public Health, \$5.0 million of ongoing Courthouse and Criminal Justice Construction funds to fund debt service on the Foothill Law and Justice Center, and the return of \$17.0 million in one-time money from the Capital Improvement Program previously allocated to the Crime Lab project. The Crime Lab project is currently being redesigned.





Countywide discretionary revenue is allocated as net county cost to various general fund departments within the County. The pie chart below shows what percentage of the net county cost is allocated to each of the groups.



The schedule on the following page shows a comparison of 2011-12 modified net county cost and 2012-13 recommended net county cost by department. This schedule also includes appropriation and revenue, including operating transfers, which are mechanisms to move funding between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section of the 2012-13 Recommended Budget Executive Summary book, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.

Department Title	2011-12 Modified Budget:			2012-13 Recommended Budget:			Change Between 2011-12 Modified & 2012-13 Recommended:		
	Appropriation	Revenue	Net County Cost	Appropriation	Revenue	Net County Cost	Appropriation	Revenue	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,903,032	-	7,903,032	7,647,052	-	7,647,052	(255,980)	-	(255,980)
CLERK OF THE BOARD	1,776,092	383,750	1,392,342	1,851,963	371,138	1,480,825	75,871	(12,612)	88,483
COUNTY ADMINISTRATIVE OFFICE	4,075,332	-	4,075,332	3,911,078	-	3,911,078	(164,254)	-	(164,254)
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	392,708	-	392,708	389,938	-	389,938	(2,770)	-	(2,770)
COUNTY COUNSEL	8,663,610	5,455,250	3,208,360	8,551,502	5,444,400	3,107,102	(112,108)	(10,850)	(101,258)
FINANCE AND ADMINISTRATION	2,272,535	-	2,272,535	2,640,486	-	2,640,486	367,951	-	367,951
HUMAN RESOURCES	4,720,452	312,700	4,407,752	5,374,265	448,409	4,925,856	653,813	135,709	518,104
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500	-	-	-
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	1,034,048	1,034,048	-	1,979,584	1,979,584	-	945,536	945,536	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	15,244,223	8,043,518	7,200,705	15,406,101	7,938,173	7,467,928	161,878	(105,345)	267,223
PURCHASING	1,308,823	500,198	808,625	1,684,799	498,168	1,186,631	375,976	(2,030)	378,006
LOCAL AGENCY FORMATION COMMISSION	311,213	-	311,213	301,000	-	301,000	(10,213)	-	(10,213)
COUNTY SCHOOLS	3,286,324	-	3,286,324	3,085,995	-	3,085,995	(200,329)	-	(200,329)
<b>ADMINISTRATION SUBTOTAL:</b>	<b>54,988,892</b>	<b>15,729,464</b>	<b>39,259,428</b>	<b>56,824,263</b>	<b>16,679,872</b>	<b>40,144,391</b>	<b>1,835,371</b>	<b>950,408</b>	<b>884,963</b>
CAPITAL FACILITIES LEASES	16,258,391	-	16,258,391	13,052,882	-	13,052,882	(3,205,509)	-	(3,205,509)
<b>CAPITAL FACILITIES LEASES SUBTOTAL:</b>	<b>16,258,391</b>	<b>-</b>	<b>16,258,391</b>	<b>13,052,882</b>	<b>-</b>	<b>13,052,882</b>	<b>(3,205,509)</b>	<b>-</b>	<b>(3,205,509)</b>
ECONOMIC DEVELOPMENT	3,192,151	125,000	3,067,151	3,045,214	130,000	2,915,214	(146,937)	5,000	(151,937)
<b>ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:</b>	<b>3,192,151</b>	<b>125,000</b>	<b>3,067,151</b>	<b>3,045,214</b>	<b>130,000</b>	<b>2,915,214</b>	<b>(146,937)</b>	<b>5,000</b>	<b>(151,937)</b>
ASSESSOR/RECORDER/COUNTY CLERK	20,026,859	5,348,400	14,678,459	21,770,806	6,563,500	15,207,306	1,743,747	1,215,100	528,647
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	33,757,029	24,086,883	9,670,146	37,078,261	27,026,066	10,052,195	3,321,232	2,938,183	382,049
<b>FISCAL SUBTOTAL:</b>	<b>53,783,888</b>	<b>29,435,283</b>	<b>24,348,605</b>	<b>58,848,867</b>	<b>33,589,566</b>	<b>25,259,301</b>	<b>5,064,979</b>	<b>4,154,283</b>	<b>910,696</b>
HEALTH ADMINISTRATION	75,802,735	60,799,005	15,003,730	77,560,645	62,560,645	15,000,000	1,757,910	1,761,640	(3,730)
BEHAVIORAL HEALTH	129,222,181	127,229,970	1,992,211	131,127,574	129,135,363	1,992,211	1,905,393	1,905,393	-
PUBLIC HEALTH	70,108,259	66,543,051	3,565,208	71,133,895	67,304,428	3,829,467	1,025,636	761,377	264,259
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	18,863,281	14,290,446	4,572,835	19,568,371	14,991,401	4,576,970	706,090	700,955	4,135
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
AGING AND ADULT SERVICES	9,898,469	9,898,469	-	9,956,414	9,956,414	-	57,945	57,945	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	833,145	242,858	590,287	946,769	325,663	621,106	113,624	82,805	30,819
CHILD SUPPORT SERVICES	40,408,395	40,408,395	-	40,156,213	40,156,213	-	(252,182)	(252,182)	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	430,197,625	416,817,886	13,379,739	442,482,268	427,905,404	14,576,864	12,284,643	11,087,518	1,197,125
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	656,812	656,812	-	531,812	531,812	-	(125,000)	(125,000)	-
ENTITLEMENT PAYMENTS (CHILDCARE)	26,264,832	26,264,832	-	28,468,013	28,468,013	-	2,203,181	2,203,181	-
OUT-OF-HOME CHILD CARE	660,566	-	660,566	660,566	-	660,566	-	-	-
AID TO ADOPTIVE CHILDREN	49,988,138	48,038,618	1,949,520	52,913,715	50,964,195	1,949,520	2,925,577	2,925,577	-
AFC - FOSTER CARE	106,784,212	94,547,104	12,237,108	111,663,120	97,714,103	13,949,017	4,878,908	3,168,999	1,711,909
REFUGEE CASH ASSISTANCE	67,738	67,738	-	77,075	77,075	-	9,337	9,337	-
CASH ASSISTANCE FOR IMMIGRANTS	1,297,984	1,297,984	-	1,614,063	1,614,063	-	316,079	316,079	-
CALWORKS - ALL OTHER FAMILIES	258,668,563	252,201,849	6,466,714	249,805,920	243,560,772	6,245,148	(8,862,643)	(8,641,077)	(221,566)
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	5,928,840	4,594,851	1,333,989	6,352,298	5,018,309	1,333,989	423,458	423,458	-
SERIOUSLY EMOTIONALLY DISTURBED	-	-	-	-	-	-	-	-	-
CALWORKS - 2 PARENT FAMILIES	42,389,301	41,329,568	1,059,733	40,896,298	39,873,890	1,022,408	(1,493,003)	(1,456,678)	(37,325)
AID TO INDIGENTS (GENERAL RELIEF)	1,785,134	495,375	1,289,759	1,932,116	495,375	1,436,741	146,982	-	146,982
VETERANS AFFAIRS	1,714,566	438,000	1,276,566	1,850,613	451,000	1,399,613	136,047	13,000	123,047
<b>HUMAN SERVICES SUBTOTAL:</b>	<b>1,272,013,277</b>	<b>1,206,162,811</b>	<b>65,850,466</b>	<b>1,290,170,259</b>	<b>1,221,104,138</b>	<b>69,066,121</b>	<b>18,156,982</b>	<b>14,941,327</b>	<b>3,215,655</b>
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	368,185	368,185	-	390,103	390,103	-	21,918	21,918	-
COUNTY TRIAL COURTS - GRAND JURY	412,540	-	412,540	420,520	-	420,520	7,980	-	7,980
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	9,784,045	120,000	9,664,045	9,802,555	90,000	9,712,555	18,510	(30,000)	48,510
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,288,342	-	1,288,342	1,230,902	-	1,230,902	(57,440)	-	(57,440)
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,505,233	-	2,505,233	2,505,233	-	2,505,233	-	-	-
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	27,054,567	17,926,316	9,128,251	26,397,865	16,269,848	10,128,017	(656,702)	(1,656,468)	999,766
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	59,438,855	26,654,164	32,784,691	63,129,854	30,383,610	32,746,244	3,689,999	3,729,446	(39,447)
LAW & JUSTICE GROUP ADMINISTRATION	270,164	270,164	-	101,300	101,300	-	(168,864)	(168,864)	-
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	132,134,337	62,604,949	69,529,388	137,850,019	73,337,575	64,512,444	5,715,682	10,732,626	(5,016,944)
PROBATION - COURT-ORDERED PLACEMENTS	1,529,717	-	1,529,717	1,529,775	-	1,529,775	58	-	58
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	-	-	-	-	-	-	-	-	-
PUBLIC DEFENDER	32,844,802	2,845,231	29,999,571	34,386,987	3,719,568	30,667,419	1,542,185	874,337	667,848
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	454,547,251	277,433,736	177,113,515	202,390,831	137,332,204	65,058,627	(252,156,420)	(140,101,532)	(112,054,888)
SHERIFF - DETENTIONS	-	-	-	153,623,662	51,750,275	101,873,387	153,623,662	51,750,275	101,873,387
SHERIFF - CONTRACTS	-	-	-	121,298,134	121,298,134	-	121,298,134	121,298,134	-
<b>LAW AND JUSTICE SUBTOTAL:</b>	<b>722,179,038</b>	<b>388,222,745</b>	<b>333,956,293</b>	<b>755,057,740</b>	<b>434,672,617</b>	<b>320,385,123</b>	<b>32,878,702</b>	<b>46,448,872</b>	<b>(13,571,170)</b>
AGRICULTURE/WEIGHTS AND MEASURES	6,435,146	5,383,670	1,051,476	6,699,811	5,403,365	1,296,446	264,665	19,695	244,970
AIRPORTS	3,168,349	3,168,349	-	2,799,545	2,799,545	-	(368,804)	(368,804)	-
ARCHITECTURE AND ENGINEERING	-	-	-	-	-	-	-	-	-
COUNTY MUSEUM	3,533,743	1,673,195	1,860,548	3,458,127	1,582,111	1,876,016	(75,616)	(91,084)	15,468
LAND USE SERVICES - ADMINISTRATION	224,775	-	224,775	700,000	-	700,000	475,225	-	475,225
LAND USE SERVICES - PLANNING	6,080,765	2,642,008	3,438,757	8,154,674	2,100,618	6,054,056	2,073,909	(541,390)	2,615,299
LAND USE SERVICES - BUILDING AND SAFETY	3,465,788	2,952,731	513,057	3,844,567	3,305,184	539,383	378,779	352,463	26,326
LAND USE SERVICES - CODE ENFORCEMENT	4,744,996	568,950	4,176,046	4,774,147	408,955	4,365,192	29,151	(159,995)	189,146
LAND USE SERVICES - FIRE HAZARD ABATEMENT	1,899,146	1,679,965	219,181	1,883,471	1,626,270	257,201	(15,675)	(53,695)	38,020
PUBLIC WORKS-SURVEYOR	3,938,358	3,678,455	259,903	3,808,406	3,528,503	279,903	(129,952)	(149,952)	20,000
REAL ESTATE SERVICES	1,243,884	1,243,884	-	1,225,745	1,225,745	-	(18,139)	(18,139)	-
REAL ESTATE SERVICES - RENTS AND LEASES	1,857,058	1,857,058	-	1,482,408	1,482,408	-	(374,650)	(374,650)	-
REAL ESTATE SERVICES - COURTS PROPERTY MANAGEMENT	2,336,364	2,336,364	-	2,221,510	2,221,510	-	(114,854)	(114,854)	-
REAL ESTATE SERVICES - FACILITIES MANAGEMENT	12,261,739	12,261,739	-	12,709,438	12,709,438	-	447,699	447,699	-
REAL ESTATE SERVICES - UTILITIES	19,786,736	1,957,093	17,829,643	19,618,237	385,292	19,232,945	(168,499)	(1,571,801)	1,403,302
REGIONAL PARKS	11,216,005	7,651,925	3,564,080	10,610,675	7,847,404	2,763,271	(605,330)	195,479	(800,809)
REGISTRAR OF VOTERS	9,471,048	2,513,500	6,957,548	8,834,337	2,700,500	6,133,837	(636,711)	187,000	(823,711)
<b>OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:</b>	<b>91,663,900</b>	<b>51,568,886</b>	<b>40,095,014</b>	<b>92,825,098</b>	<b>49,326,848</b>	<b>43,498,250</b>	<b>1,161,198</b>	<b>(2,242,038)</b>	<b>3,403,236</b>
<b>GENERAL FUND DEPARTMENT SUBTOTAL:</b>	<b>2,214,079,537</b>	<b>1,691,244,189</b>	<b>522,835,348</b>	<b>2,289,824,323</b>	<b>1,755,503,041</b>	<b>514,321,282</b>	<b>55,744,786</b>	<b>64,258,852</b>	<b>(8,514,066)</b>
CONTINGENCIES	29,983,169	-	29,983,169	24,166,844	-	24,166,844	(5,816,325)	-	(5,816,325)
RESERVE CONTRIBUTIONS	26,501,791	-	26,501,791	6,594,897	-	6,594,897	(19,906,894)	-	(19,906,894)
BOARD DISCRETIONARY FUNDS	12,997,953	-	12,997,953	11,081,283	-	11,081,283	(1,916,670)	-	(1,916,670)
NON DEPARTMENTAL APPROPRIATION	7,794,705	7,794,705	-	7,500,000	7,500,000	-	(294,705)	(294,705)	-
OPERATING TRANSFERS OUT	103,217,438	-	103,217,438	84,826,990	-	84,826,990	(18,390,448)	-	(18,390,448)
<b>TOTAL COUNTYWIDE ALLOCATED COSTS:</b>	<b>180,495,056</b>	<b>7,794,705</b>	<b>172,700,351</b>	<b>134,170,014</b>	<b>7,500,000</b>	<b>126,670,014</b>	<b>(46,325,042)</b>	<b>(294,705)</b>	<b>(46,030,337)</b>
<b>GRAND TOTAL:</b>	<b>2,394,574,593</b>	<b>1,699,038,894</b>	<b>695,535,699</b>	<b>2,403,994,337</b>	<b>1,763,003,041</b>	<b>640,991,296</b>	<b>9,419,744</b>	<b>63,964,147</b>	<b>(54,544,403)</b>

NOTE: Total countywide allocated costs on this schedule includes appropriation for Non Departmental budget unit. This appropriation is offset in the countywide discretionary revenue schedule on the net interest earnings line.



**NON DEPARTMENTAL BUDGET UNIT**

The non departmental budget unit includes discretionary revenue of the general fund that is detailed in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' found earlier in this section of the budget book.

**APPROPRIATION**

	<b>2011-12 Adopted Budget</b>	<b>2011-12 Modified Budget</b>	<b>2011-12 Estimate</b>	<b>2012-13 Recommended Budget</b>
<b><u>Appropriation</u></b>				
Salaries & Benefits	435,051	435,051	179,889	-
Services & Supplies	1,000,000	1,000,000	420,111	1,000,000
Other Charges	6,064,949	6,359,654	1,394,705	6,500,000
<b>Total Expenditure Authority</b>	<b>7,500,000</b>	<b>7,794,705</b>	<b>1,814,816</b>	<b>7,500,000</b>

Non departmental appropriation pays for countywide expenditures not allocable to a specific department, and interest expense on the County's annual Tax and Revenue Anticipation Notes. The net interest earnings revenue reported in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' is reduced by these expenditures.



In addition to expenditures, this budget unit also includes operating transfers out which are transfers of cash to fund programs accounted for outside of the general fund.

### **OPERATING TRANSFERS OUT**

	<b>2011-12 Adopted Budget</b>	<b>2011-12 Modified Budget</b>	<b>2011-12 Estimate</b>	<b>2012-13 Recommended Budget</b>
<b>One-Time</b>				
Capital Improvement Fund - County Building Program	20,221,931	20,221,931	20,221,931	10,000,000
Capital Improvement Fund - Lake Mojave Narrows Dam Project	2,100,000	2,100,000	2,100,000	
Capital Improvement Fund - Needles Fire Station				700,000
Capital Improvement Fund - Fontana Western Sphere MOU				2,600,000
Capital Improvement Fund -Design Sheriff Crime Lab Addition				1,300,000
Business Process Improvement Reserve allocations	287,270	287,270	287,270	
Garage - Motor Pool	386,565	386,565	386,565	
Flood Control - Rim Forest Drainage	350,000	350,000	350,000	5,900,000
Flood Control - Stormwater Program	4,297,504	4,297,504	4,391,756	
Transportation - Maintain County Roads (PCI) and Traffic Signal	8,000,000	8,000,000	8,000,000	5,250,000
District Attorney Fraud Unit		780,606	780,606	
New Financial Accounting System		12,000,000	12,000,000	
Public Works - System Changes				2,000,000
Special District - Lake Gregory Dam				4,000,000
Contributions to Oversight Board				300,000
Community Development/Foundation				268,250
<b>Ongoing</b>				
Capital Improvement Fund - Annual Allocation	15,300,000	15,300,000	15,300,000	12,000,000
Aging and Adult Services	1,057,620	1,057,620	1,057,620	1,057,620
800 MHz Project	24,000,000	24,000,000	24,000,000	20,000,000
Public Works - Fund 2 positions in land development	283,000	283,000	283,000	283,000
General Fund Subsidy to County Fire Protection District	12,799,942	12,799,942	12,799,942	17,542,970
County Redevelopment Agency to fund Sales Tax Sharing Agreement	353,000	353,000	124,636	325,150
Flood Control District Stormwater Permit	1,000,000	1,000,000	1,000,000	1,300,000
<b>Total Operating Transfers Out</b>	<b>90,436,832</b>	<b>103,217,438</b>	<b>103,083,326</b>	<b>84,826,990</b>



**GENERAL FUND – FIVE-YEAR OPERATING FORECAST, 2011-12 THROUGH 2015-16**

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. Long term financial planning is a strategic process that provides governments with the insights and information needed to establish multi-year budget solutions and financial policies and actions that maintain good fiscal health. The County creates a five-year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the county to ensure and enable a plan for the provision of services and capital assets.

The forecast is updated annually and is not a budget. It does not establish policy or priorities, it simply summarizes fiscal capacity. The forecast identifies key factors that affect the county's fiscal outlook and assesses how difficult balancing the budget may be in the future. It helps the County to understand the fiscal challenges ahead and the need to establish priorities.

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions or changing circumstances. As such, this plan highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

**Significant Issues Impacting the General Fund:**

- Salaries and Benefits are projected to increase. The increase in the forecast reflects only current negotiated agreements between the County and employee representation units, and includes costs for budgeted positions.
- Retirement costs, in part, are anticipated to increase due to market losses incurred by the County's pension system.
- Additional Staffing for the Adult Detention Center Expansion will require a significant amount of funding beginning in 2013-14.
- The reduction in property tax revenue for County Fire increases the general fund subsidy required to maintain needed fire services and replace aged emergency fire vehicles.

The following table summarizes the County's five-year financial forecast as it relates to ongoing expenditures funded with ongoing discretionary revenue in the County General Fund. The forecast shows that although revenues are beginning to stabilize, cost increases create continued structural issues that need to be addressed.



**Five-Year Operating Forecast**  
(in millions)

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Assessed Valuation Change</b>	-0.5%	-1.0%	0.0%	2.0%	2.0%
<b>Revenue Growth:</b>					
Property Related	\$ 3.1	\$ (4.9)	\$ –	\$ 7.8	\$ 7.9
Proposition 172	2.5	8.5	6.1	6.3	5.6
Other Revenue	(9.0)	0.9	0.8	0.8	0.9
Total	<u>\$ (3.4)</u>	<u>\$ 4.5</u>	<u>\$ 6.9</u>	<u>\$ 14.9</u>	<u>\$ 14.4</u>
<b>Increase in Costs:</b>					
Salaries & Benefits	\$ (15.1)	\$ (2.4)	\$ (1.9)	\$ (3.0)	\$ (3.3)
Retirement Increases	(13.4)	(15.1)	(19.9)	(17.1)	(3.5)
Insurance and Central Services	(2.5)	(0.5)	0.2	(0.1)	(0.6)
Adult Detention Center Staffing	–	–	(34.2)	–	–
Sheriff Revenue (federal prisoners)	–	(5.8)	–	–	–
Unfunded Leave Liability	(3.9)	–	–	–	–
Increase Subsidy to County Fire	(5.4)	(4.6)	(1.2)	(0.8)	–
Other Costs	(3.5)	(9.3)	(1.6)	(4.4)	(3.1)
Total	<u>\$ (43.8)</u>	<u>\$ (37.7)</u>	<u>\$ (58.6)</u>	<u>\$ (25.4)</u>	<u>\$ (10.5)</u>
<b>Net Yearly Operating Deficit</b>	<u>\$ (47.2)</u>	<u>\$ (33.2)</u>	<u>\$ (51.7)</u>	<u>\$ (10.5)</u>	<u>\$ 3.9</u>
<b>Cumulative Yearly Operating Deficit</b>	<u>\$ (47.2)</u>	<u>\$ (80.4)</u>	<u>\$ (132.1)</u>	<u>\$ (142.6)</u>	<u>\$ (138.7)</u>

Measures have been implemented by the County to eliminate the structural deficit of \$47.2 million in 2011-12, which leaves a remaining structural deficit of \$91.5 million for fiscal years 2012-13 to 2015-16. Due to the projected budget gaps and operating cost pressures, the County Administrative Office has developed a strategic plan to address the \$91.5 million cumulative structural budget deficit for the remaining four years. The plan maintains a structurally balanced budget for 2012-13 and future years. This strategic plan is detailed in the County Strategic Plan section of this 2012-13 Recommended Budget Executive Summary book. The process of developing this plan began by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the County in 2012-13. Once the critical issues were identified, specific measures have begun to be implemented. The County anticipates it will adhere to policy, make the necessary tough decisions, and adopt a structurally balanced budget each fiscal year.





## **CONTINGENCIES**

The County Contingencies includes the following elements:

### **Contingencies**

#### **Mandatory Contingencies**

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

#### **Uncertainties Contingencies**

Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Adopted budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

### **Ongoing Set-Aside Contingencies**

The County budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of funding that have been targeted for future ongoing program needs.

	<b>2011-12 Adopted Budget</b>	<b>2011-12 Approved Contributions/ (Uses)</b>	<b>2012-13 Recommended Contributions / (Uses)</b>	<b>2012-13 Recommended Budget</b>
<b>Contingencies</b>				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,625,285		(232,940)	8,392,345
Uncertainties Contingencies	31,470,881	(10,112,997)	(5,583,385)	15,774,499
<b>Total Contingencies</b>	<b>40,096,166</b>	<b>(10,112,997)</b>	<b>(5,816,325)</b>	<b>24,166,844</b>

#### **2011-12 Changes to Uncertainties Contingencies**

In 2011-12 quarterly budget reports through the second quarter resulted in negative adjustments to the Uncertainties Contingencies of \$10,112,997 as follows:

- \$9,264,703 decrease due to \$23,029,376 in revenue increases, \$354,213 in reserve uses and \$32,648,292 in expenditure increases. This reflects the budget adjustments for the first quarter of 2011-12.
- \$141,675 decrease to fund a contract in Land Use Services to conduct a Development Impact Fee analysis and recommended fee structure for the County.
- \$706,619 decrease due to \$1,692,401 in revenue decreases offset by \$985,782 in expenditure decreases. This reflects the budget adjustments for the second quarter of 2011-12.

#### **2011-12 Changes to Ongoing Set-Aside Contingencies**

No Ongoing Set-Aside Contingencies are appropriated in the 2011-12 Modified Budget.



2012-13 Mandatory Contingencies

The base allocation to the mandatory contingencies is \$8,392,345, the amount required pursuant to Board policy, based on projected locally funded appropriation of \$559.5 million.

2012-13 Uncertainties Contingencies

The amount in the uncertainties contingencies represents the estimate of 2012-13 funding sources not appropriated for expenditure in the general fund.

2012-13 Ongoing Set-Aside Contingencies

No Ongoing Set-Aside Contingencies are appropriated in the 2012-13 Recommended Budget.



## **RESERVES**

The County has a number of reserves that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a County policy to provide guidelines and goals for reserve levels. The current policy calls for the County General Purpose Reserve to equal 20% of locally funded appropriation. The Board of Supervisors also established specific purpose reserves to temporarily help meet future needs.

Total Reserves					
	6/30/11 Ending Balance	Approved 2011-12		6/30/12 Estimated Balance	6/30/13 Estimated Balance
		Contributions	Uses		
<b>General Purpose Reserve</b>	<b>59,733,617</b>	5,501,791		<b>65,235,408</b>	<b>70,830,305</b>
<b>Specific Purpose Reserves</b>					
Future Space Needs	22,878,705			22,878,705	22,878,705
New Property Tax System	-	9,000,000		9,000,000	9,000,000
Retirement	8,500,000			8,500,000	8,500,000
Medical Center Debt Service	32,074,905			32,074,905	32,074,905
Teeter	24,709,925			24,709,925	24,709,925
Capital Projects	4,000,000		(4,000,000)	-	-
Insurance	3,000,000			3,000,000	3,000,000
High Desert Fire Station	3,000,000	1,000,000		4,000,000	-
Restitution	1,545,025			1,545,025	1,545,025
Business Process Improvement	1,218,640		(1,218,640) (1)	-	-
<b>Total Specific Purpose</b>	<b>100,927,200</b>	10,000,000	(5,218,640)	<b>105,708,560</b>	<b>101,708,560</b>
<b>Total Reserves</b>	<b>160,660,817</b>			<b>170,943,968</b>	<b>172,538,865</b>

(1) \$287,270 of this amount represents funding for projects carried over from the prior year.

### **2011-12 Contributions**

The Fund Balance and Reserve Policy, revised in June 2011, calls for a General Purpose Reserve targeted at 20% of locally funded appropriation, up from the previous target of 10%. For 2011-12 the general purpose reserve is increased by \$5.5 million. This brings the balance in the General Purpose Reserve to 11.3% of locally funded appropriation. The revised Fund Balance and Reserve Policy calls for continued annual contributions of one-time sources to this reserve until the 20% target is achieved.

- \$1.0 million contribution to the High Desert Fire Station Reserve.
- \$9.0 million contribution to the Reserve for a New Property Tax System.

### **2011-12 Uses**

- Use of the Business Process Improvement Reserve, including \$287,270 to fund a case management project for the Public Defender. The Business Process Improvement Reserve is eliminated in 2011-12, and any remaining amount will fall into fund balance at the end of the fiscal year.
- \$4,000,000 use of the Capital Projects Reserve to be contributed towards the funding of the Downtown Building Project.



2012-13 Recommended Contributions and Uses

For 2012-13, there is a recommended increase to the General Purpose Reserve of \$5,594,897. This brings the balance of the General Purpose Reserve to \$70,830,305, or 12.7% of locally funded appropriation. The recommended budget also includes:

- \$1.0 million contribution to the High Desert Fire Station Reserve.
- The use of the entire \$5.0 High Desert Fire Station Reserve, which will fund a \$2.6 million contribution to a fire station in Needles, and a \$2.4 million contribution to a fire station at Spring Valley Lake.

The chart below shows recent history of the County Reserve levels.

		Year End Actual Balances				Estimated	Recommended
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total General Purpose Reserve		57.2	59.7	59.7	59.7	65.2	70.8
Specific Purpose Reserves							
Future Space Needs		37.7	31.9	55.5	22.9	22.9	22.9
New Property Tax System						9.0	9.0
Retirement		38.6	46.5	46.5	8.5	8.5	8.5
Medical Center Debt Service		32.1	32.1	32.1	32.1	32.1	32.1
Jail Expansion (formerly Future Financing)		21.5	-	-	-	-	-
Juvenile Maximum Security		13.9	-	-	-	-	-
Teeter		17.7	24.7	24.7	24.7	24.7	24.7
Moonridge Zoo		4.8	-	-	-	-	-
Capital Projects		4.0	4.0	4.0	4.0	-	-
Insurance		3.0	3.0	3.0	3.0	3.0	3.0
High Desert Fire Station		-	-	2.0	3.0	4.0	-
Restitution		1.8	1.7	1.5	1.5	1.5	1.5
Electronic Voting System		0.4	0.3	-	-	-	-
Business Process Improvement		4.4	2.1	1.3	1.2	-	-
Justice Facilities		0.1	0.1	0.1	-	-	-
Total Specific Purpose Reserves	(1)	180.0	146.4	170.7	100.9	105.7	101.7
Total Reserves	(1)	237.2	206.1	230.4	160.7	170.9	172.5

(1) Totals may not add due to rounding.

